

CITY OF ST. JOSEPH
11-2070
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

June 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CITY OF ST. JOSEPH	County BERRIEN
Audit Date 6/30/04	Opinion Date 8/5/04	Date Accountant Report Submitted to State: 11/9/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C.			
Street Address 830 PLEASANT STREET, P.O. BOX 44		City ST. JOSEPH	State MI
Accountant Signature <i>Gerbel & Company, P.C.</i>		ZIP 49085	Date 11/9/04

CITY OF ST. JOSEPH
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

June 30, 2004

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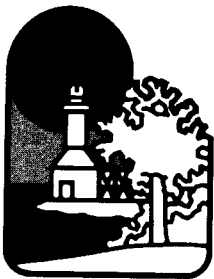
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City of St. Joseph

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Holding on to the Past...Reaching out to the Future

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Management Discussion and Analysis

As management of the City of St. Joseph, we offer the readers of these financial statements this narrative overview and analysis of the financial activities of the City of St. Joseph for the fiscal year ended June 30, 2004. We encourage readers to consider the overview presented here in conjunction with the additional information that our auditors have provided within this report.

Financial Highlights

- The assets of the City of St. Joseph exceeded its liabilities at the close of the most recent fiscal year by \$38,008,489. Of this amount, \$10,914,745 may be used to meet the ongoing obligations to our citizens and creditors.
- The City's total net assets increased by \$1,325,602.
- At the close of the current fiscal year, the City of St. Joseph's Governmental Funds reported combined ending fund balances of \$9,662,915 a decrease of \$1,183,770 in comparison with the prior year. Approximately \$8,642,268 of this total amount is available for spending at the government's discretion.
- At the end of the current fiscal year, the general fund unreserved fund balance was \$2,509,804 or 43 percent of total general fund expenditures. The City Commission has allocated \$509,804 to be transferred to the Capital project fund in 2004-2005 to fund future capital projects.
- The City of St. Joseph's total debt increased by \$1,925,717 during the current fiscal year. The key factors in this increase was the issuance of a \$425,000 five-year installment note for a new fire truck and \$2,209,056 improvement bonds for the combined sewer overflow project.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of St. Joseph's basic financial statements. The City of St. Joseph's basic financial statements include the following three components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

In addition to the basic financial statements themselves, this report also contains other supplementary information.

1. Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to provide the reader with a broad overview of the City of St. Joseph's finances, in a manner similar to a private-sector business.

- The Statement of Net Assets presents information on all of the City of St. Joseph's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of St. Joseph is improving or deteriorating.

MAYOR - Mary J. Goff

MAYOR PRO TEM - Robert L. Judd • CITY COMMISSION - Dr. Jeffrey E. Richards • Michael C. Garey • Chad G. Mandarin

- The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as unused vacation leave.

Both of these Government-Wide Financial Statements distinguish City functions, which are principally supported by taxes and intergovernmental revenues from those functions that are intended to recover all or a significant portion of their costs through user fees and charges for services. The governmental activities of the City of St. Joseph include general government, public safety, highways and streets, sanitation, health and welfare, recreation and culture, community and economic development and debt service. The business-type activities of the City of St. Joseph include Water, Sewer, and Marina Operations.

The Government-Wide Financial Statements include not only the City of St. Joseph itself, but also a legally separate Downtown Development Authority and a legally separate Tax Increment Finance Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of St. Joseph, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of St. Joseph can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as, on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, the reader may better understand the long-term impact of the City's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities.

The City of St. Joseph maintains 21 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the general fund, the Capital project fund, the library capital improvement fund, the combined sewer overflow capital project fund and the water/sewer capital project fund, all of which are considered to be major funds. Data from the other 16 government funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of St. Joseph adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds

The City of St. Joseph maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The City of St. Joseph uses enterprise funds to account for its water and sewer operations and for its marina operation. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of St. Joseph's various functions. The City of St. Joseph uses internal service funds to account for its fleet of vehicles and heavy equipment and for its self-insurance needs. Because both of these services predominantly benefit government rather than business-type functions, they have been included within Governmental Activities in the Government-Wide Financial Statements.

Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. The Proprietary Fund Financial Statements provide separate information for the water and sewer operations and for the marina operation, all of which are considered to be major funds of the City of St. Joseph. Conversely, both internal service funds are combined into a single, aggregated presentation in the Proprietary Fund Financial Statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of those funds are not available to support the City of St. Joseph's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

3. Note to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

4. Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of St. Joseph's progress in funding its obligation to provide pension benefits to its employees.

The Combining Statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of City of St. Joseph, assets exceeded liabilities by \$38,008,489 at the close of the 2003-2004 fiscal year.

By far the largest portion of the City of St. Joseph's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City of St. Joseph uses these capital assets to provide services to citizens; and consequently, these assets are not available for future spending. Although the City of St. Joseph's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of St. Joseph
Net Assets**

	Governmental Activities	Business Type Activities	Component Units	Total
Current and Other Assets	\$ 11,294,616	\$ 1,991,365	\$ 90,712	\$ 13,376,693
Capital Assets	\$ 24,759,048	\$ 9,395,167	\$ -	\$ 34,154,215
Total Assets	\$ 36,053,664	\$ 11,386,532	\$ 90,712	\$ 47,530,908
Long-Term Liabilities Outstanding	\$ 8,553,178	\$ -	\$ -	\$ 8,553,178
Other Liabilities	\$ 154,857	\$ 732,672	\$ -	\$ 887,529
Total Liabilities	\$ 8,708,035	\$ 723,672	\$ -	\$ 9,431,707
Invested in Capital Assets, Net of				
Related Debt	\$ 16,529,842	\$ 9,395,167	\$ -	\$ 25,925,009
Restricted	\$ 1,168,735	\$ -	\$ -	\$ 1,168,735
Unrestricted	\$ 9,647,052	\$ 1,267,693	\$ 90,712	\$ 11,005,457
Total Net Assets	\$ 27,345,629	\$ 10,662,860	\$ 90,712	\$ 38,099,201

A portion of the City of St. Joseph's net assets (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$11,005,457) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of St. Joseph is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental, business-type activities, and component units.

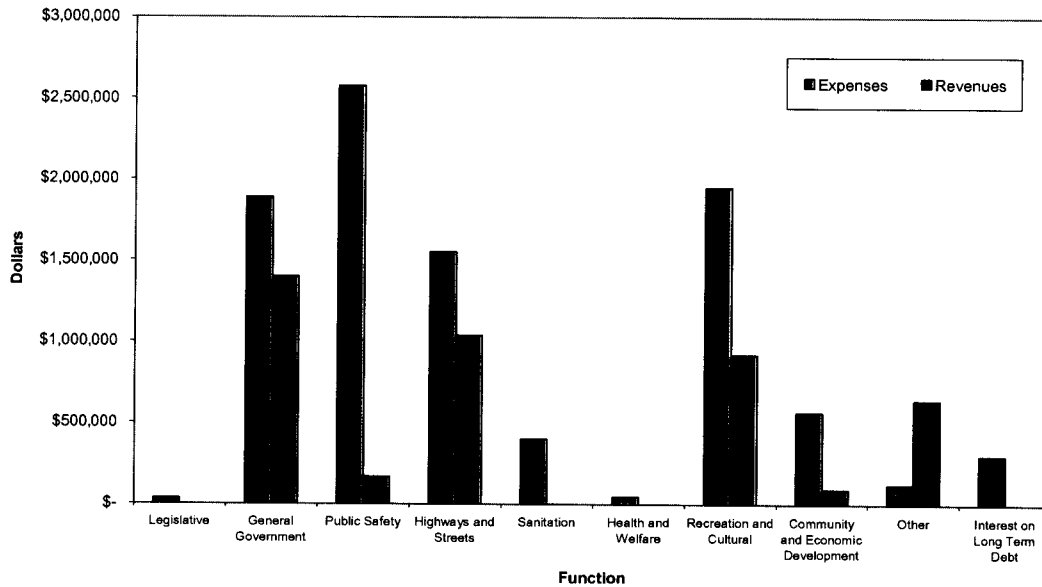
City of St. Joseph **Changes in Net Assets**

	Governmental Activities	Business Type Activities	Component Units	Total
Revenues				
Program Revenues				
Charges for Services	\$ 1,404,962	\$ 4,181,046	\$ -	\$ 5,586,008
Grants and Contributions	2,857,442	-	-	2,857,442
General Revenues				
Property Taxes	5,232,223	-	37,634	5,269,857
Licenses and Permits	228,322	-	-	228,322
Fines, Fees and Forfeits	437,688	57,644	-	495,332
Special Assessments	27,829	-	-	27,829
Interest Earned	107,396	57,907	374	165,677
Sale of Fixed Assets	34,328	-	-	34,328
Total Revenues	\$ 10,330,190	\$ 4,296,597	\$ 38,008	\$ 14,664,795
Expenses				
Legislative	\$ 32,446	\$ -		\$ 32,446
General Government	1,888,809	-		1,888,809
Public Safety	2,576,889	-		2,576,889
Highways and Streets	1,549,323	-		1,549,323
Sanitation	400,338	-		400,338
Health and Welfare	45,044	-		45,044
Recreation and Cultural	2,327,992	-		2,327,992
Community and Economic Development	565,629	-		565,629
Other	122,149	-		122,149
Interest on Long-Term Debt	300,329	-		300,329
Sewer Fund	-	955,919		955,919
Water Fund	-	2,246,061		2,246,061
Marina Fund	-	290,357		290,357
Downtown Development Authority	-	-	39,541	39,541
Tax Increment Finance Authority	-	-	495	495
Total Expenses	\$ 9,808,948	\$ 3,492,337	\$ 40,036	\$ 13,341,321
Increase (Decrease) in Net Assets before Transfers	\$ 521,242	\$ 804,260	\$ (2,028)	\$ 1,323,474
Transfers	(475,364)	475,464	-	100
Changes in net assets	\$ 45,878	\$ 1,279,724	\$ (2,028)	\$ 1,323,574
Net Assets Beginning of Year	27,299,751	9,383,136	92,740	36,775,627
Net Assets End of Year	\$ 27,345,629	\$ 10,662,860	\$ 90,712	\$ 38,099,201

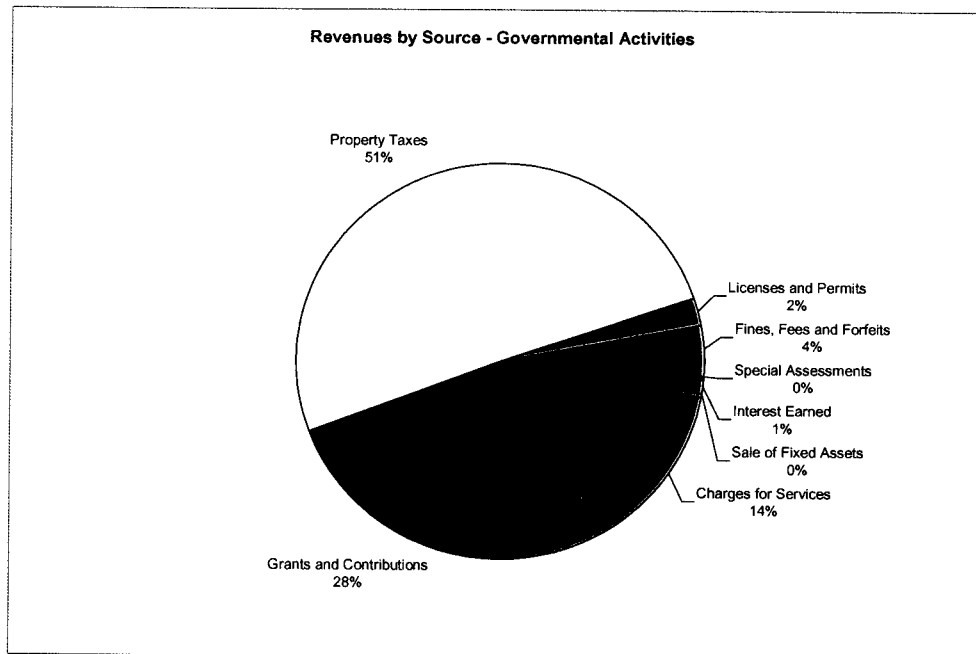
Governmental Activities

Governmental Activities increased the City of St. Joseph's net assets by \$45,878, accounting for 3.5% of the total growth in the net assets of the City of St. Joseph. Property taxes were \$5,232,223 or 51% of the total governmental revenues. Grants and contributions were \$2,857,442 or 28% of the total governmental revenues. The remaining 21% is mostly composed of various charges for services and interest revenue. Public safety expenditures totaled \$2,576,889 or 26% of the governmental expenses. General government and Recreation and cultural expenditures totaled 43% of the governmental expenses.

Program Revenues and Expenses - Governmental Activities



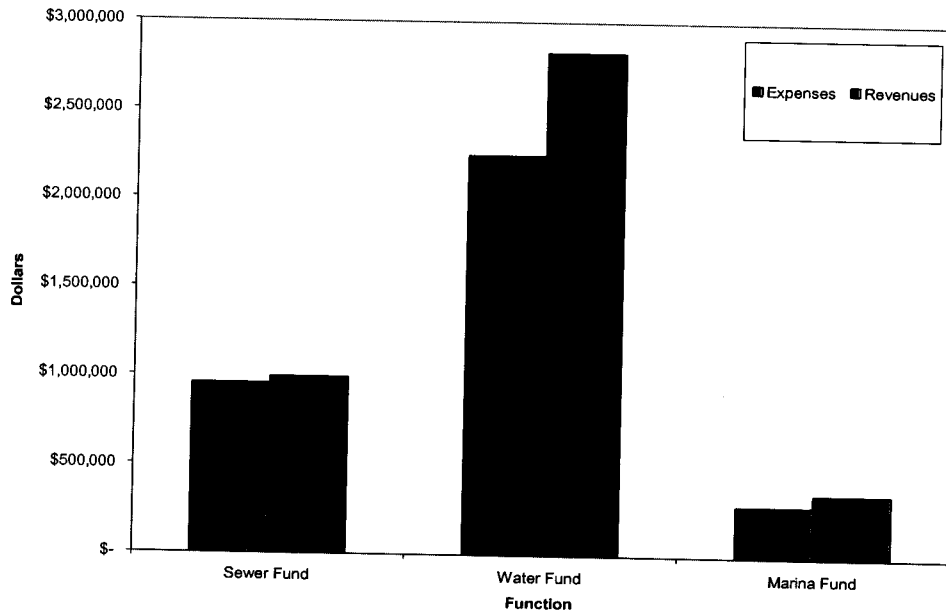
Revenues by Source - Governmental Activities



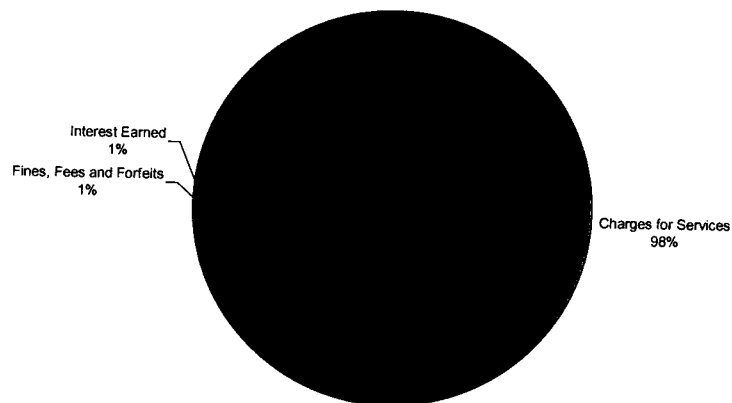
Business-Type Activities

Business-type Activities increased the City of St. Joseph's net assets by \$1,279,724, accounting for 96% of the total growth in the net assets of the City of St. Joseph. Charges for services were \$4,181,046 or 98% of the total business-type revenues. The remaining 2% is mostly composed of various fees and interest revenue. Business-type expenditures decreased overall by \$424,702.

Program Revenue and Expenses - Business Type Activities



Revenue by Source - Business Type Activities



Financial Analysis of the City of St. Joseph's Funds

As noted earlier, the City of St. Joseph uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of St. Joseph's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of St. Joseph's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year the City of St. Joseph's Governmental Funds reported combined ending fund balances of \$9,662,915, an increase of \$1,183,770 in comparison with the prior year. Approximately 89% of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for certain activities in special revenue funds, 2) to spend on certain library activities, or 3) to generate income to pay for the perpetual care of the city cemeteries.

The General Fund is the chief operating fund of the City of St. Joseph. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,509,804. As a measure of liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents roughly 43% of total general fund expenditures. The fund balance of the City of St. Joseph's General Fund has increased by \$509,804 from the previous year. The surplus revenue over expenditures amounted to \$509,804 and will be transferred to the Capital project fund.

Proprietary Funds

The City of St. Joseph's proprietary funds provide the same type of information found in the Government-Wide Financial Statements, but in more detail.

Unrestricted net assets of the Water Fund at the end of the year amounted to \$757,161, and the Sewer Fund \$268,011, and those for the Marina Fund amounted to \$242,521. The Water Fund increased net assets by \$1,053,286. The Sewer Fund increased net assets by \$158,417 and the Marina Fund increased net assets by \$68,021. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of St. Joseph's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor and resulted in a net increase in budgeted expenditures of \$79,000 and can be briefly summarized as follows:

- \$1,000 increase in miscellaneous expenses in legislative activities
- \$7,900 increase allocated to general government activities
- \$2,900 decrease allocated to fire department in public safety activities
- \$69,500 increase allocated to miscellaneous expenses in highways and streets activities
- \$5,000 increase in sanitation activities
- \$900 increase in health and welfare activities
- \$24,400 increase in recreation and cultural activities
- \$3,800 decrease in debt service due to change in note
- \$23,000 decrease in other activities

During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance.

Capital Asset and Debt Administration

The City of St. Joseph's investment in capital assets for its governmental and business-type activities as of June 30, 2004 amounts to \$34,154,215 (net of depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, library books, roads, and utility systems.

Major capital asset events during the current fiscal year included the following:

- Construction continued on several CSO projects.
- The Howard Ice Arena Expansion Project was completed at a final cost of \$565,945.
- A fire truck was purchased for \$725,000.

Long-Term Debt

At the end of the current fiscal year, the City of St. Joseph had total debt outstanding of \$8,239,250. The City's total debt increased due to the issuance of a \$425,000 installment note to finance the fire truck, as well as \$2,029,056 improvement bonds for the Combined Sewer Overflow project.

State statutes limit the amount of general obligation bond debt governmental entities may issue to 10% of its total state equalized valuation and the amount of general obligation installment note debt to 1.25% of its total state equalized valuation. The current debt limitation for the City of St. Joseph is \$34,023,584 for bond debt and \$4,252,948 for note debt, which is significantly in excess of the City of St. Joseph's outstanding general obligation debt.

Next Year's Budget and Rates

The City of St. Joseph anticipates revenue over expenditures in the general fund will result in a \$139,100 surplus. This surplus has been budgeted as a transfer to the Capital project fund to pay for capital projects planned for the 2004-2005 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of St. Joseph's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of St. Joseph, 700 Broad Street, St. Joseph, Michigan, 49085.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

August 4, 2004

INDEPENDENT AUDITOR'S REPORT

To the Commission
City of St. Joseph, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Joseph, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Joseph, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated August 4, 2004, on our consideration of the City of St. Joseph, Michigan's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages I through IX and page 9, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Right. On time.

INDEPENDENT AUDITOR'S REPORT - Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Joseph, Michigan's, basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Serbell & Company, P.C.

CITY OF ST. JOSEPH
Statement of Net Assets
For the Year June 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 8,044,957	\$ 1,287,517	\$ 9,332,474
Investments	2,553,050	-	2,553,050
Receivables	570,801	585,482	1,156,283
Due from other funds	67,465	31,828	99,293
Prepaid expenses	21,577	-	21,577
Inventory	36,766	86,538	123,304
Capital assets (net of related depreciation):			
Land	3,567,097	613,862	4,180,959
Buildings and improvements	11,236,617	4,503,452	15,740,069
Furniture and equipment	2,065,064	447,000	2,512,064
Books	215,552	-	215,552
Infrastructure	6,903,550	-	6,903,550
Utility systems	-	3,356,063	3,356,063
Construction in progress	771,168	474,790	1,245,958
Total Assets	\$ 36,053,664	\$ 11,386,532	\$ 47,440,196
Liabilities			
Accounts payable	\$ 48,829	\$ 84,908	\$ 133,737
Accrued liabilities	-	69,047	69,047
Accrued interest	45,430	-	45,430
Due to other governments	-	503,617	503,617
Due to employees	5,111	-	5,111
Due to other funds	55,487	66,100	121,587
Noncurrent liabilities:			
Due within one year	799,275	-	799,275
Due in more than one year	7,753,903	-	7,753,903
Total Liabilities	\$ 8,708,035	\$ 723,672	\$ 9,431,707
Net Assets			
Invested in capital assets, net of related debt	\$ 16,529,842	\$ 9,395,167	\$ 25,925,009
Restricted for employee benefits	1,168,735	-	1,168,735
Unrestricted	9,647,052	1,267,693	10,914,745
TOTAL NET ASSETS	\$ 27,345,629	\$ 10,662,860	\$ 38,008,489

The accompanying notes are an integral part of these financial statements.

CITY OF ST. JOSEPH
Statement of Activities
For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Legislative	\$ 32,446	\$ -	\$ -	\$ -
General government	1,888,809	376,586	1,023,081	-
Public safety	2,576,889	8,272	159,812	-
Highways and streets	1,549,323	113,956	923,288	-
Sanitation	400,338	3,506	-	-
Health and welfare	45,044	-	-	-
Recreation and cultural	2,327,992	261,427	658,402	-
Community and economic development	565,629	-	92,859	-
Other	122,149	641,215	-	-
Interest on long-term debt	300,329	-	-	-
Total Governmental Activities	\$ 9,808,948	\$ 1,404,962	\$ 2,857,442	\$ -
Business-type Activities:				
Sewer Fund	\$ 955,919	\$ 994,663	\$ -	\$ -
Water Fund	2,246,061	2,828,455	-	-
Marina Fund	290,357	357,928	-	-
Total Business-type Activities	\$ 3,492,337	\$ 4,181,046	\$ -	\$ -
Total Primary Government	\$ 13,301,285	\$ 5,586,008	\$ 2,857,442	\$ -
Component Units:				
Downtown Development	\$ 39,541	\$ -	\$ -	\$ -
Tax Increment Finance	495	-	-	-
Total Component Units	\$ 40,036	\$ -	\$ -	\$ -

General Revenues:

Property taxes
Licenses and permits
Fines, fees, and forfeits
Special assessments
Interest
Sale of fixed assets

Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

NET ASSETS - END OF YEAR

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Tax Increment Finance Authority
\$ (32,446)	\$ -	\$ (32,446)	\$ -	\$ -
(489,142)	-	(489,142)	-	-
(2,408,805)	-	(2,408,805)	-	-
(512,079)	-	(512,079)	-	-
(396,832)	-	(396,832)	-	-
(45,044)	-	(45,044)	-	-
(1,408,163)	-	(1,408,163)	-	-
(472,770)	-	(472,770)	-	-
519,066	-	519,066	-	-
(300,329)	-	(300,329)	-	-
<u>\$ (5,546,544)</u>	<u>\$ -</u>	<u>\$ (5,546,544)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 38,744	\$ 38,744	\$ -	\$ -
-	582,394	582,394	-	-
-	67,571	67,571	-	-
<u>\$ -</u>	<u>\$ 688,709</u>	<u>\$ 688,709</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (5,546,544)</u>	<u>\$ 688,709</u>	<u>\$ (4,857,835)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (39,541)	\$ -
-	-	-	-	(495)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (39,541)</u>	<u>\$ (495)</u>
\$ 5,232,223	\$ -	\$ 5,232,223	\$ 37,634	\$ -
228,322	-	228,322	-	-
437,688	98,663	536,351	-	-
27,829	-	27,829	-	-
107,396	16,888	124,284	260	114
34,328	-	34,328	-	-
<u>(475,364)</u>	<u>475,464</u>	<u>100</u>	<u>-</u>	<u>-</u>
<u>\$ 5,592,422</u>	<u>\$ 591,015</u>	<u>\$ 6,183,437</u>	<u>\$ 37,894</u>	<u>\$ 114</u>
\$ 45,878	\$ 1,279,724	\$ 1,325,602	\$ (1,647)	\$ (381)
27,299,751	9,383,136	36,682,887	61,447	31,293
<u>\$ 27,345,629</u>	<u>\$ 10,662,860</u>	<u>\$ 38,008,489</u>	<u>\$ 59,800</u>	<u>\$ 30,912</u>

**CITY OF ST. JOSEPH
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2004**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Library Capital Improvement Fund</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 1,107,199	\$ 512,421	\$ -
Investments	1,398,025	-	-
Receivables	136,890	22,576	-
Due from other funds	67,587	-	-
Prepaid expense	13,000	-	-
Inventory	36,766	-	-
	<hr/>	<hr/>	<hr/>
Total Current Assets	\$ 2,759,467	\$ 534,997	\$ -
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 2,759,467	\$ 534,997	\$ -
	<hr/>	<hr/>	<hr/>
Liabilities and Fund Balances			
Current Liabilities:			
Accounts payable	\$ 20,959	\$ 12,000	\$ -
Due to other funds	228,704	-	194,680
Deferred revenue	-	22,576	-
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	\$ 249,663	\$ 34,576	\$ 194,680
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 249,663	\$ 34,576	\$ 194,680
	<hr/>	<hr/>	<hr/>
Fund Balances:			
Reserved for:			
Restricted purposes	\$ -	\$ -	\$ -
Unreserved, reported in			
General Fund	2,509,804	-	-
Special Revenue	-	-	-
Debt Service	-	-	-
Capital Projects	-	500,421	(194,680)
	<hr/>	<hr/>	<hr/>
Total Fund Balances	\$ 2,509,804	\$ 500,421	\$ (194,680)
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,759,467	\$ 534,997	\$ -
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

<u>CSO Capital Project Fund</u>	<u>Water/Sewer Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,187,692	\$ 1,037,542	\$ 3,233,479	\$ 7,078,333
-	-	623,384	2,021,409
174,141	142,643	92,946	569,196
-	-	410,657	478,244
-	-	-	13,000
-	-	-	36,766
<u>\$ 1,361,833</u>	<u>\$ 1,180,185</u>	<u>\$ 4,360,466</u>	<u>\$ 10,196,948</u>
<u>\$ 1,361,833</u>	<u>\$ 1,180,185</u>	<u>\$ 4,360,466</u>	<u>\$ 10,196,948</u>
\$ 14,478	\$ -	\$ 1,392	\$ 48,829
400	-	38,844	462,628
-	-	-	22,576
<u>\$ 14,878</u>	<u>\$ -</u>	<u>\$ 40,236</u>	<u>\$ 534,033</u>
<u>\$ 14,878</u>	<u>\$ -</u>	<u>\$ 40,236</u>	<u>\$ 534,033</u>
\$ -	\$ -	\$ 1,005,200	\$ 1,005,200
-	-	-	2,509,804
-	-	3,009,672	3,009,672
-	-	305,358	305,358
<u>1,346,955</u>	<u>1,180,185</u>	<u>-</u>	<u>2,832,881</u>
<u>\$ 1,346,955</u>	<u>\$ 1,180,185</u>	<u>\$ 4,320,230</u>	<u>\$ 9,662,915</u>
<u>\$ 1,361,833</u>	<u>\$ 1,180,185</u>	<u>\$ 4,360,466</u>	<u>\$ 10,196,948</u>

CITY OF ST. JOSEPH
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
For the Year Ended June 30, 2004

Fund balances of governmental funds	\$ 9,662,915
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Governmental funds report capital outlay as expenditures, but they are recorded as capital assets in the government-wide statements and depreciated over their useful lives.	24,056,897
--	------------

Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds.	(8,542,288)
--	-------------

Internal service funds are used by management to charge the cost of fleet services and employee benefits to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	2,201,851
--	-----------

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(33,746)</u>
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Net assets of governmental activities	<u>\$ 27,345,629</u>
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**CITY OF ST. JOSEPH
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2004**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Library Capital Improvement Fund</u>
Revenues:			
Taxes	\$ 4,317,084	\$ -	\$ -
Federal revenues	-	-	-
State revenues	1,033,287	134,994	-
Charges for services	531,157	-	-
Licenses and permits	3,836	-	-
Fines, fees, and forfeits	117,715	-	-
Special assessments	-	5,253	-
Contributions	250	411,487	10,620
Interest	24,441	3,162	-
Other	143,950	44,976	-
	<u>\$ 6,171,720</u>	<u>\$ 599,872</u>	<u>\$ 10,620</u>
Total Revenues	<u>\$ 6,171,720</u>	<u>\$ 599,872</u>	<u>\$ 10,620</u>
Expenditures:			
Current:			
Legislative	\$ 32,446	\$ -	\$ -
General government	1,239,325	-	-
Public safety	2,528,693	5,880	-
Highways and streets	359,862	-	-
Sanitation	546,285	-	-
Health and welfare	45,044	-	-
Recreation and cultural	751,004	261,000	-
Community and economic development	60,000	46,481	-
Other	126,113	-	-
Debt service:			
Principal retirement	69,836	179,013	-
Interest	51,167	12,031	-
Capital outlay	-	884,862	-
	<u>\$ 5,809,775</u>	<u>\$ 1,389,267</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 5,809,775</u>	<u>\$ 1,389,267</u>	<u>\$ -</u>
Revenues Over (Under) Expenditures	<u>\$ 361,945</u>	<u>\$ (789,395)</u>	<u>\$ 10,620</u>
Other Financing Sources (Uses):			
Operating transfers in	\$ 564,100	\$ -	\$ 20,000
Operating transfers out	(425,000)	(313,000)	-
Residual equity transfers in	8,759	-	-
Proceeds from notes	-	-	-
	<u>\$ 147,859</u>	<u>\$ (313,000)</u>	<u>\$ 20,000</u>
Total Other Financing Sources (Uses)	<u>\$ 147,859</u>	<u>\$ (313,000)</u>	<u>\$ 20,000</u>
Net Changes in Fund Balance	<u>\$ 509,804</u>	<u>\$ (1,102,395)</u>	<u>\$ 30,620</u>
Fund Balances - Beginning of year	<u>2,000,000</u>	<u>1,602,816</u>	<u>(225,300)</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,509,804</u>	<u>\$ 500,421</u>	<u>\$ (194,680)</u>

The accompanying notes are an integral part of these financial statements.

CSO Capital Project <u>Fund</u>	Water/Sewer Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ 72,206	\$ -	\$ 842,933	\$ 5,232,223
545,308	-	-	545,308
1,656,090	-	752,532	3,576,903
-	557,915	-	1,089,072
-	-	224,486	228,322
-	-	319,973	437,688
-	-	-	5,253
-	-	341,930	764,287
20,943	-	31,093	79,639
3,804	-	140,263	332,993
<u>\$ 2,298,351</u>	<u>\$ 557,915</u>	<u>\$ 2,653,210</u>	<u>\$ 12,291,688</u>

\$ -	\$ -	\$ -	\$ 32,446
-	-	7,167	1,246,492
-	-	13,331	2,547,904
123,452	14,344	897,172	1,394,830
-	-	-	546,285
-	-	-	45,044
-	-	655,230	1,667,234
-	-	352,080	458,561
-	-	-	126,113
-	-	85,001	333,850
-	-	237,538	300,736
<u>2,631,696</u>	<u>-</u>	<u>1,196,041</u>	<u>4,712,599</u>

<u>\$ 2,755,148</u>	<u>\$ 14,344</u>	<u>\$ 3,443,560</u>	<u>\$ 13,412,094</u>
<u>\$ (456,797)</u>	<u>\$ 543,571</u>	<u>\$ (790,350)</u>	<u>\$ (1,120,406)</u>

\$ -	\$ -	\$ 809,785	\$ 1,393,885
(1,009,464)	(35,000)	(99,785)	(1,882,249)
-	-	(8,759)	-
<u>-</u>	<u>-</u>	<u>425,000</u>	<u>425,000</u>
<u>\$ (1,009,464)</u>	<u>\$ (35,000)</u>	<u>\$ 1,126,241</u>	<u>\$ (63,364)</u>

\$ (1,466,261)	\$ 508,571	\$ 335,891	\$ (1,183,770)
<u>2,813,216</u>	<u>671,614</u>	<u>3,984,339</u>	<u>10,846,685</u>
<u>\$ 1,346,955</u>	<u>\$ 1,180,185</u>	<u>\$ 4,320,230</u>	<u>\$ 9,662,915</u>

CITY OF ST. JOSEPH
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (1,183,770)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlay as expenditures, but they are recorded as capital assets in the government-wide statements and depreciated over their useful lives. 3,291,306

Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds. (2,119,798)

Internal service funds are used by management to charge the cost of fleet services and employee benefits to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets. 91,886

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (33,746)

Changes in net assets of governmental activities \$ 45,878

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Taxes	\$ 4,103,000	\$ 4,315,300	\$ 4,317,084	\$ 1,784
State revenues	1,070,000	1,010,700	1,033,287	22,587
Charges for services	544,400	473,000	531,157	58,157
Licenses and permits	2,600	3,100	3,836	736
Fines, fees, and forfeits	93,000	109,000	117,715	8,715
Contributions	-	200	250	50
Interest	30,000	30,000	24,441	(5,559)
Other	68,500	101,500	143,950	42,450
Total Revenues	<u>\$ 5,911,500</u>	<u>\$ 6,042,800</u>	<u>\$ 6,171,720</u>	<u>\$ 128,920</u>
Expenditures:				
Current:				
Legislative	\$ 33,700	\$ 34,700	\$ 32,446	\$ 2,254
General government	1,279,300	1,287,200	1,239,325	47,875
Public safety	2,571,900	2,569,000	2,528,693	40,307
Highways and streets	309,000	378,500	359,862	18,638
Sanitation	553,900	558,900	546,285	12,615
Health and welfare	48,400	49,300	45,044	4,256
Recreation and cultural	737,700	762,100	751,004	11,096
Community and economic development	60,000	60,000	60,000	-
Other	160,000	137,000	126,113	10,887
Debt service:				
Principal retirement	165,000	140,800	69,836	70,964
Interest	11,000	31,400	51,167	(19,767)
Total Expenditures	<u>\$ 5,929,900</u>	<u>\$ 6,008,900</u>	<u>\$ 5,809,775</u>	<u>\$ 199,125</u>
Revenues Over (Under) Expenditures	<u>\$ (18,400)</u>	<u>\$ 33,900</u>	<u>\$ 361,945</u>	<u>\$ 328,045</u>
Other Financing Sources (Uses):				
Operating transfers in	\$ 822,000	\$ 570,100	\$ 564,100	\$ (6,000)
Operating transfers out	(803,600)	(612,300)	(425,000)	187,300
Residual equity transfers in	-	8,700	8,759	59
Total Other Financing Sources (Uses)	<u>\$ 18,400</u>	<u>\$ (33,500)</u>	<u>\$ 147,859</u>	<u>\$ 181,359</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ 509,804</u>	<u>\$ 509,404</u>
Fund Balances - Beginning of Year	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
FUND BALANCES- END OF YEAR	<u>\$ 2,000,000</u>	<u>\$ 2,000,400</u>	<u>\$ 2,509,804</u>	<u>\$ 509,404</u>

**CITY OF ST. JOSEPH
PROPRIETARY FUNDS
Statement of Net Assets
For the Year Ended June 30, 2004**

	<u>Business - Type Activities -</u>	
	<u>Sewer Fund</u>	<u>Water Fund</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 353,188	\$ 687,228
Investments	-	-
Receivables	352,563	232,919
Due from other funds	4,922	31,828
Prepaid expense	-	-
Inventory	686	85,852
Total Current Assets	<u>\$ 711,359</u>	<u>\$ 1,037,827</u>
Noncurrent Assets:		
Land	\$ -	\$ 609,073
Property, plant, and improvements	336,917	13,181,491
Equipment	100,251	554,064
Construction in progress	186,904	287,886
Accumulated depreciation	<u>(243,200)</u>	<u>(6,657,808)</u>
Total Noncurrent Assets	<u>\$ 380,872</u>	<u>\$ 7,974,706</u>
Total Assets	<u>\$ 1,092,231</u>	<u>\$ 9,012,533</u>
Liabilities		
Current Liabilities:		
Accounts payable	\$ 80,550	\$ 4,358
Accrued liabilities	6,326	58,141
Due to employees	-	-
Due to other funds	2,100	68,922
Due to other governments	<u>354,372</u>	<u>149,245</u>
Total Current Liabilities	<u>\$ 443,348</u>	<u>\$ 280,666</u>
Total Liabilities	<u>\$ 443,348</u>	<u>\$ 280,666</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 380,872	\$ 7,974,706
Unrestricted	<u>268,011</u>	<u>757,161</u>
TOTAL NET ASSETS	<u>\$ 648,883</u>	<u>\$ 8,731,867</u>

The accompanying notes are an integral part of these financial statements.

Enterprise Funds

<u>Marina Fund</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 247,101	\$ 1,287,517	\$ 966,626
-	-	531,640
-	585,482	1,605
-	36,750	56,501
-	-	8,577
-	86,538	-
<u>\$ 247,101</u>	<u>\$ 1,996,287</u>	<u>\$ 1,564,949</u>
\$ 4,789	\$ 613,862	\$ -
2,049,360	15,567,768	-
157,378	811,693	2,973,619
-	474,790	-
<u>(1,171,938)</u>	<u>(8,072,946)</u>	<u>(2,302,041)</u>
-	-	-
<u>\$ 1,039,589</u>	<u>\$ 9,395,167</u>	<u>\$ 671,578</u>
<u>\$ 1,286,690</u>	<u>\$ 11,391,454</u>	<u>\$ 2,236,527</u>
\$ -	\$ 84,908	\$ -
4,580	69,047	-
-	-	5,111
-	71,022	60,138
-	503,617	-
<u>\$ 4,580</u>	<u>\$ 728,594</u>	<u>\$ 65,249</u>
<u>\$ 4,580</u>	<u>\$ 728,594</u>	<u>\$ 65,249</u>
\$ 1,039,589	\$ 9,395,167	\$ 671,578
242,521	1,267,693	1,499,700
<u>\$ 1,282,110</u>	<u>\$ 10,662,860</u>	<u>\$ 2,171,278</u>

**CITY OF ST. JOSEPH
PROPRIETARY FUNDS
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended June 30, 2004**

	<u>Business - Type Activities -</u>	
	<u>Sewer Fund</u>	<u>Water Fund</u>
Operating Revenues:		
Charges for services	\$ 994,663	\$ 2,768,606
Fines, fees, and forfeits	41,019	57,644
Fuel sales	-	-
Other	-	59,849
	<u>-</u>	<u>59,849</u>
Total Operating Revenues	\$ 1,035,682	\$ 2,886,099
Operating Expenses:		
Water distribution system	\$ -	\$ 629,297
Water plant operations	-	1,081,836
Water administration	-	224,505
Sewer	944,470	-
Marina	-	-
Operations	-	-
Depreciation	11,449	303,591
	<u>11,449</u>	<u>303,591</u>
Total Operating Expenses	\$ 955,919	\$ 2,239,229
Operating Income (Loss)	\$ 79,763	\$ 646,870
Nonoperating Revenues (Expenses):		
Interest income	\$ 4,922	\$ 11,516
Interest expense	-	(4,879)
Gain (loss) on disposition of assets	-	(1,953)
	<u>-</u>	<u>(1,953)</u>
Total Nonoperating Revenues (Expenses)	\$ 4,922	\$ 4,684
Income (Loss) Before Transfers	\$ 84,685	\$ 651,554
Operating transfers in	173,732	835,732
Operating transfers out	<u>(100,000)</u>	<u>(434,000)</u>
Change in Net Assets	\$ 158,417	\$ 1,053,286
Total Net Assets - Beginning of Year	<u>490,466</u>	<u>7,678,581</u>
TOTAL NET ASSETS - END OF YEAR	\$ 648,883	\$ 8,731,867

The accompanying notes are an integral part of these financial statements.

Enterprise Funds

Marina Fund	Total Enterprise Funds	Governmental Activities Internal Service Funds
\$ 293,907	\$ 4,057,176	\$ 660,459
-	98,663	-
62,826	62,826	-
1,195	61,044	21,141
<u>\$ 357,928</u>	<u>\$ 4,279,709</u>	<u>\$ 681,600</u>
\$ -	\$ 629,297	\$ -
-	1,081,836	-
-	224,505	-
-	944,470	-
230,530	230,530	-
-	-	626,555
59,827	374,867	178,447
<u>\$ 290,357</u>	<u>\$ 3,485,505</u>	<u>\$ 805,002</u>
\$ 67,571	\$ 794,204	\$ (123,402)
\$ 450	\$ 16,888	\$ 27,757
-	(4,879)	-
-	(1,953)	4,271
<u>\$ 450</u>	<u>\$ 10,056</u>	<u>\$ 32,028</u>
\$ 68,021	\$ 804,260	\$ (91,374)
-	1,009,464	13,000
-	(534,000)	-
\$ 68,021	\$ 1,279,724	\$ (78,374)
1,214,089	9,383,136	2,249,652
<u>\$ 1,282,110</u>	<u>\$ 10,662,860</u>	<u>\$ 2,171,278</u>

**CITY OF ST. JOSEPH
PROPRIETARY FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2004**

	<u>Business - Type Activities -</u>	
	<u>Sewer Fund</u>	<u>Water Fund</u>
Cash Flows From Operating Activities:		
Cash receipts for interfund services provided	\$ (4,922)	\$ 83,592
Cash receipts from customers	972,154	2,939,896
Other payments	(531,782)	(973,134)
Payments to employees	(87,678)	(734,955)
Payments for interfund services provided	(25,200)	(81,492)
Payments to suppliers	(5,573)	(332,306)
	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	\$ 316,999	\$ 901,601
Cash Flows From Noncapital Financing Activities:		
Transfer from other funds	\$ 173,732	\$ 835,732
Transfer to other funds	(100,000)	(434,000)
	<u> </u>	<u> </u>
Net cash provided (used) by noncapital financing activities	\$ 73,732	\$ 401,732
Cash Flows From Capital and Related Financing Activities:		
Interest paid on capital debt	\$ -	\$ (5,816)
Principal paid on capital debt	-	(250,000)
Purchase of capital assets	(173,732)	(1,077,975)
	<u> </u>	<u> </u>
Net cash provided (used) by capital and related financing activities	\$ (173,732)	\$ (1,333,791)
Cash Flows From Investing Activities:		
Proceeds from sale of securities	\$ -	\$ 250,000
Purchase of securities	-	-
Interest and dividends received	4,922	11,516
	<u> </u>	<u> </u>
Net cash provided (used) by investing activities	\$ 4,922	\$ 261,516
Net increase (decrease) in cash and cash equivalents	\$ 221,921	\$ 231,058
Balances - Beginning of Year	<u>131,267</u>	<u>456,170</u>
BALANCES - END OF YEAR	<u>\$ 353,188</u>	<u>\$ 687,228</u>

The accompanying notes are an integral part of these financial statements.

Enterprise Funds

Marina Fund	Total Enterprise Funds	Governmental Activities Internal Service Funds
\$ -	\$ 78,670	\$ 644,247
357,928	4,269,978	23,807
(156,263)	(1,661,179)	(460,107)
(72,974)	(895,607)	(71,936)
(3,886)	(110,578)	-
<u>-</u>	<u>(337,879)</u>	<u>(172,782)</u>
 \$ 124,805	 \$ 1,343,405	 \$ (36,771)
 \$ -	 \$ 1,009,464	 \$ 13,000
<u>-</u>	<u>(534,000)</u>	<u>-</u>
 \$ -	 \$ 475,464	 \$ 13,000
 \$ -	 \$ (5,816)	 \$ -
-	(250,000)	-
<u>-</u>	<u>(1,251,707)</u>	<u>(147,873)</u>
 \$ -	 \$ (1,507,523)	 \$ (147,873)
 \$ -	 \$ 250,000	 \$ -
-	-	(21,605)
<u>450</u>	<u>16,888</u>	<u>27,757</u>
 \$ 450	 \$ 266,888	 \$ 6,152
 \$ 125,255	 \$ 578,234	 \$ (165,492)
<u>121,846</u>	<u>709,283</u>	<u>1,131,820</u>
 \$ 247,101	 \$ 1,287,517	 \$ 966,328

**CITY OF ST. JOSEPH
PROPRIETARY FUNDS
Combining Statement of Cash Flows - Continued
For the Year Ended June 30, 2004**

	<u>Business - Type Activities -</u>	
	<u>Sewer Fund</u>	<u>Water Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 79,763	\$ 646,870
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Deprecation expense	\$ 11,449	\$ 303,591
Gain on disposition of assets	-	-
(Increase) decrease in:		
Accounts receivable	(63,528)	53,797
Due from other funds	(4,922)	83,592
Inventories	(459)	(1,506)
Increase (decrease) in:		
Accounts payable	80,550	(80,051)
Salaries payable	(7,168)	(1,904)
Due to other funds	2,100	68,922
Due to other governments	219,214	(171,710)
Due to employees	-	-
Total Adjustments	<u>\$ 237,236</u>	<u>\$ 254,731</u>
Net cash provided (used) by operating activities	<u>\$ 316,999</u>	<u>\$ 901,601</u>

The accompanying notes are an integral part of these financial statements.

Enterprise Funds

<u>Marina Fund</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 67,571	\$ 794,204	\$ (123,401)
\$ 59,827	\$ 374,867	\$ 178,447
-	-	4,271
-	(9,731)	(1,605)
-	78,670	(16,212)
-	(1,965)	-
-	499	-
(2,593)	(11,665)	-
-	71,022	(70,159)
-	47,504	-
-	-	(8,112)
\$ 57,234	\$ 549,201	\$ 86,630
\$ 124,805	\$ 1,343,405	\$ (36,771)

**CITY OF ST. JOSEPH
FIDUCIARY FUNDS
Statement of Fiduciary Net Assets
For the Year Ended June 30, 2004**

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 262,372	\$ 988
Receivables		
Interest receivable	174,268	-
Due from employer	7,942	880
Total Receivables	\$ 182,210	\$ 880
Investments at fair value:		
Stock	\$ 25,739,494	\$ -
Bonds	4,741,637	-
Government obligations	12,881,553	-
Other	1,993,320	-
Total Investments	\$ 45,356,004	\$ -
Other Current Assets:		
Due from other funds	\$ 24,897	\$ -
Prepaid expense	3,433	-
Total Other Current Assets	\$ 28,330	\$ -
Total Assets	\$ 45,828,916	\$ 1,868
Liabilities		
Bank overdraft	\$ -	\$ 503
Due to employees	4,969	-
Due to other funds	-	1,365
Total Liabilities	\$ 4,969	\$ 1,868
Net Assets		
Held in trust for pension benefits and other purpose	\$ 45,823,947	

The accompanying notes are an integral part of these financial statements.

**CITY OF ST. JOSEPH
FIDUCIARY FUNDS
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2004**

	Pension Trust Funds
Additions	
Contributions:	
Plan members	\$ 282,046
Total Contributions	<u>\$ 282,046</u>
Investment Earnings:	
Net increase, FMV investments	\$ 3,069,919
Interest	1,106,061
Dividends	<u>288,727</u>
Total Investment Earnings	\$ 4,464,707
Less investment expense	<u>(62,323)</u>
Net Investment Earnings	<u>\$ 4,402,384</u>
Total Additions	<u>\$ 4,684,430</u>
Deductions	
Benefits	\$ 1,696,194
Refunds of contributions	6,904
Administrative expense	<u>21,679</u>
Total Deductions	<u>\$ 1,724,777</u>
Income (Loss) Before Operating Transfers	<u>\$ 2,959,653</u>
Other Financing Sources (Uses):	
Operating transfers out	<u>\$ (100)</u>
Total Other Financing Sources (Uses)	<u>\$ (100)</u>
Change in Net Assets	\$ 2,959,553
Net Assets - Beginning of Year	<u>42,864,394</u>
NET ASSETS - END OF YEAR	<u>\$ 45,823,947</u>

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Joseph adopted its city charter on July 31, 1928 and operates under a council-manager form of government. Services provided for its citizens include: public safety (fire and police), water-sewer services, highways and streets, rubbish and trash disposal, planning and zoning, public improvements, culture, recreation and general administrative services.

The financial statements of the City of St. Joseph are prepared in accordance with accounting principles generally accepted in the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. Scope of Reporting Entity

The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Copies of component unit reports may be obtained from the City's Finance Department.

In accordance with the provisions of the Governmental Accounting Standards Board, the financial statements of the City of St. Joseph contain all of the City funds, account groups and authorities that are controlled by or dependent on the City's executive or legislative branches. Control by or dependence on the City was determined on the basis of appointment or governing authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, receipt of significant subsidies from the City, disposition of surplus funds, and scope of public service.

Based on the foregoing criteria, the following organizations are included in the City's financial statements as discretely presented component units for the reasons stated.

**City of St. Joseph Tax Increment Finance Authority and
City of St. Joseph Downtown Development Authority:**

- City appoints governing board
- City approves budget of Authority
- City must approve any tax levy of the Authority
- Surplus funds existing at termination of Authority vest to the City

The following organization is not part of the City of St. Joseph and is excluded from the accompanying financial statements for the reasons stated.

City of St. Joseph Housing Commission

Authoritative interpretations of Governmental Accounting Standards Board Statements exclude public housing commissions from the reporting entity. The financial statements of the St. Joseph Housing Commission are separately audited for their fiscal year ending March 31, 2004.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Scope of Reporting Entity - Continued

Joint Venture - Southwest Michigan Regional Airport Authority

In 1944, the Cities of Benton Harbor and St. Joseph, Michigan entered into a joint venture to form the Southwest Michigan Regional Airport Board. The purpose of the Board was to control and manage the Southwest Michigan Regional Airport. Title of the lands upon which the airport and aviation facilities are located are held by the Cities of Benton Harbor and St. Joseph as follows: an undivided 27/43 interest in the City of Benton Harbor and an undivided 16/43 interest in the City of St. Joseph.

In 1997 the Southwest Michigan Regional Airport Authority was created to take over control and management of the airport. The Authority is made up of the cities of Benton Harbor and St. Joseph and the Charter Townships of St. Joseph and Lincoln. Each member of the Authority appoints one person to the board and supports the airport through a millage of .25 mills. Ownership of airport assets prior to creation of the Authority remains with the cities of St. Joseph and Benton Harbor. The Authority assumed control of the airport on August 1, 1998.

In accordance with Statement on Michigan Governmental Accounting and Auditing No. 5, the financial statements of the Southwest Michigan Regional Airport Authority are not included within the body of the financial statements of the City of St. Joseph. Financial statements are available from the Southwest Michigan Regional Airport Authority. The following is audited summary financial information on the Southwest Michigan Regional Airport Authority as of and for the year June 30, 2004, with a report thereto dated July 23, 2004.

Assets	\$1,568,073	Operating revenues	\$1,297,638
Liabilities	698,746	Operating expenses	1,041,745
Equity	869,327	Nonoperating income	274,148
		Net income	530,041

Joint Venture - Benton Harbor - St. Joseph Joint Wastewater Treatment Board

In 1951, the Cities of Benton Harbor and St. Joseph, Michigan entered into a joint venture to form the Benton Harbor - St. Joseph Joint Wastewater Treatment Board. The purpose of the Board is to control and manage the Joint Wastewater Treatment Plant. Title of the land upon which the plant is located and the facility itself is held as equal, undivided interests by the City of Benton Harbor and the City of St. Joseph.

The administrative board consists of six appointed members and the City Managers of Benton Harbor and St. Joseph. Two members are appointed by Benton Harbor, two members are appointed by St. Joseph, one member is appointed by Benton Charter Township and one member is appointed by the Lake Michigan Shoreline Water and Sewage Treatment Authority.

In accordance with Statement on Michigan Governmental Accounting and Auditing No. 5, the financial statements of the Benton Harbor - St. Joseph Joint Wastewater Treatment Board are not included within the body of the financial statements of the City of St. Joseph. Financial statements are available from the Benton Harbor - St. Joseph Joint Wastewater Treatment Plant. The following is audited summary financial information on the Benton Harbor - St. Joseph Joint Wastewater Treatment Board as of and for the year ended June 30, 2004, with a report thereto dated August 25, 2004.

Assets	\$ 17,538,196
Liabilities	367,488
Net assets	17,170,708
Operating revenues	3,388,119
Operating expenses	2,861,160
Nonoperating revenues	83,236
Net earnings	610,195

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the City of St. Joseph and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The primary government of the City of St. Joseph is reported separately from certain legally separate component units for which the City of St. Joseph, the primary government, is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City of St. Joseph considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City of St. Joseph.

The City of St. Joseph reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Capital Improvement Fund** is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

The **CSO Capital Projects Fund** is used to account for the construction and administration of the combined sewer overflow project.

The **Library Capital Improvement Fund** is used to account for the capital improvements to the public library.

The **Water/Sewer Capital Projects Fund** is used to account for the capital improvements to the water and sewer distribution and collection systems within the City limits.

The City of St. Joseph reports the following major proprietary funds:

The **Water Fund** accounts for the activities related to water production, purification, distribution and billing.

The **Sewer Fund** accounts for the sanitary collections system and pays for the treatment of wastewater.

The **Marina Fund** accounts for operations of the municipal marina.

Additionally, the City of St. Joseph reports the following fund types:

Internal Service Funds are used to account for fleet maintenance, workers compensation, unemployment, and other employee benefits provided to other departments on a cost reimbursement basis.

The **Pension Trust Funds** account for the activities of the St. Joseph Employees' Retirement System, which accumulates resources for pension benefit payments to qualified City employees. The funds also account for the activities of the Section 125 Plan the City offers to qualified employees.

The **Agency Funds** are used to collect and distribute State of Michigan, Berrien County, Lake Michigan College, Southwest Michigan Regional Airport Authority, St. Joseph Public Schools, Benton Harbor Public Schools, and Berrien County Intermediate School District property tax monies and to receive and disburse payroll in the imprest payroll fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City of St. Joseph has elected not to follow subsequent private-sector guidance.

As general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Water Fund, Sewer Fund, and the Marina Fund and other functions and segments. Elimination of these charges would distort the direct costs and program revenues for the functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general taxes.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

Propriety funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a propriety fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City of St. Joseph's policy to use restricted resources first. Unrestricted resources are used as they are needed.

D. Budgets and Budgetary Accounting

Under the City Charter, the following budget procedures must be followed:

1. The fiscal year shall begin on July 1 and end on June 30 of each year.
2. At an April meeting, the City Manager shall submit to the City Commission a proposed operating budget.
3. A public hearing must be held before the budget is adopted.
4. The City Commission must adopt the budget by resolution prior to June 30.

Formal budgetary integration is employed as a management control device for all funds except the Agency Fund, Permanent Funds, and Pension Trust Funds. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriation budgets are adopted for the General, Special Revenue, Enterprise and Internal Service Funds. All annual appropriations lapse at fiscal year-end. In addition, the City Commission approves budgets for two component units: the Lakefront TIFA and the Downtown Development Authority.

Michigan Public Act 621 governs adoption and amendment of all budgets used by the City. The City was in compliance with Public Act 621 in fiscal year 2003-2004. Any amendments to the original budget must meet the requirements of Public Act 621. The City Commission must approve any revisions that alter the total expenditures of any fund. The budget for the General Fund is adopted at the department level. All other budgets are approved at the fund level. The City Commission must approve any revision that alters the total expenditures above the legal level. For management purposes, the City develops a more detailed budget. The City Manager, or his designee, is authorized to transfer budgeted amounts within these functional areas.

Budgeted amounts are as originally adopted or as amended by the City Commission on June 21, 2004.

E. Encumbrances

Encumbrances represent commitments to unperformed contracts for goods and services. Encumbrances outstanding at year-end lapse and are generally reappropriated as part of the following year's budget.

F. Receivables

Receivables have been recognized for all significant amounts due the City. No allowances have been made for uncollectible amounts because, if they remain unpaid, most delinquent receivables can be added to the tax roll and become a lien against the property.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

G. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories of governmental funds are reported as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City of St. Joseph as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

<u>Asset Class</u>	<u>Depreciable Life</u>
Land	N/A
Buildings and Improvements	20-50 years
Equipment	5-15 years
Vehicles	5-30 years
Utility Systems	10-40 years
Infrastructure	25-60 years
Library Books	10 years

I. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight-line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Long-Term Liabilities - Continued

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuances costs, whether or not withheld from the actual debt received, are reported as debt service.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

K. Property Taxes

City property taxes are assessed as of December 31 and attached as an enforceable lien on property as of July 1 of the following year. The taxes are due without penalty on or before September 15. Real property taxes not collected as of March 1 are turned over to Berrien County for collection. The County advances the City 100% of the delinquent taxes on real property. The City Treasurer is responsible for collecting delinquent personal property taxes, delinquent industrial facilities taxes, and delinquent commercial facilities property taxes. The City recognizes property taxes as revenue when they are levied on July 1 because at that point the taxes are both measurable and available.

The City acts as a collection agent for Berrien County, Lake Michigan College, Southwest Michigan Regional Airport Authority, St. Joseph Public Schools, Benton Harbor Public Schools, and Berrien County Intermediate School District property taxes. Taxes collected on behalf of other units are remitted to the units following collection. The tax collections are received and distributed from an agency fund, the Treasurer's Tax Fund.

The City collects a 1% property tax administration fee.

L. Compensated Absences

Sick leave is paid upon illness while in the employment of the City or upon retirement as limited by various employment contracts and agreements. Earned vacation time can be accrued up to a maximum of one and one-half times the employee's annual leave. Earned vacation time is paid upon termination. Accumulated unpaid sick and vacation pay is accrued when incurred in the government-wide financial statements and in proprietary fund financial statements. Governmental funds record a liability only if they have matured as a result of employee resignations or retirements.

M. Deposits and Investments

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents.

All investments for both the primary government and all the component units are reported at fair value.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 2 - CASH AND INVESTMENTS

The City of St. Joseph operates common checking accounts for several of the operating funds. Each fund's share of the cash balance is reported separately. Surplus funds are invested throughout the year. The City allocates interest earnings to the participating funds in relation to the average cash balance of each fund. Investments are carried at cost as declines in fair values are considered temporary except for investments where the term is for more than twelve months or in the case of mutual funds. Investments in long-term investments (i.e. more than twelve months) and mutual funds are recorded at fair value.

A. Deposits

Following an Attorney General Opinion, the City restricts its deposits to banks, savings and loan associations or credit unions having their principal office in the State of Michigan.

B. Investments

The City retirement system has investments in a bank-administered trust account. Investments are carried at fair market value. Act 314, PA 1965, as amended by Act 31, PA 1980, and Act 55, PA 1982, authorizes the City to invest in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. The City's investments are in accordance with statutory authority.

C. Year End Deposits

At year-end, the deposits consisted of the following components:

	<u>Carrying Amount</u>			
	<u>Primary</u>	<u>Component</u>	<u>Fiduciary</u>	<u>Total</u>
	<u>Government</u>	<u>Units</u>	<u>Funds</u>	
Bank deposits	\$ 9,330,374	\$ 90,712	\$ 263,359	\$ 9,684,445
Imprest cash	<u>2,100</u>	<u>-</u>	<u>-</u>	<u>2,100</u>
Cash and Cash Equivalents as reported in statements	\$ 9,332,474	\$ 90,712	\$ 263,359	\$ 9,686,545
Longer term certificates of deposit	1,052,262	-	-	1,052,262
Less: Imprest Cash	<u>(2,100)</u>	<u>-</u>	<u>-</u>	<u>(2,100)</u>
Total Deposits	<u>\$ 10,382,636</u>	<u>\$ 90,712</u>	<u>\$ 263,359</u>	<u>\$ 10,736,707</u>

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 2 - CASH AND INVESTMENTS - Continued

C. Year End Deposits - Continued

For the bank deposits and certificates of deposit, \$200,000 was covered by federal depository insurance and \$11,411,719 was uninsured. The bank balances are categorized to give an indication of the level of risk assumed by the entity at year-end.

	<u>Carrying Amount</u>	<u>Bank Balances</u>
Primary Government		
Amount insured by the FDIC	\$ 196,344	\$ 196,217
Uncollateralized and uninsured	<u>10,186,292</u>	<u>11,015,999</u>
Total Primary Government	<u>\$ 10,382,636</u>	<u>\$ 11,212,216</u>
Component Units		
Amount insured by the FDIC	\$ 937	\$ 859
Uncollateralized and uninsured	<u>89,775</u>	<u>89,853</u>
Total Component Units	<u>\$ 90,712</u>	<u>\$ 90,712</u>
Fiduciary Funds		
Amount insured by the FDIC	\$ 2,719	\$ 2,924
Uncollateralized and uninsured	<u>260,640</u>	<u>305,867</u>
Total Fiduciary Funds	<u>\$ 263,359</u>	<u>\$ 308,791</u>
Total Reporting Entity	<u>\$ 10,736,707</u>	<u>\$ 11,611,719</u>

D. Year End Investments

The City's investments are categorized to give an indication of the level of risk assumed by City of St. Joseph at June 30, 2004.

- Category 1** Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2** Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.
- Category 3** Uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the City's name.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 2 - CASH AND INVESTMENTS - Continued

D. Year End Investments - Continued

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Primary Government					
Cash and equivalents	\$ 111,224	\$ -	\$ -	\$ 111,224	\$ 111,224
Municipal bonds	-	-	283,000	283,000	283,000
Government and agency bonds	-	-	1,106,564	1,106,564	1,106,564
Total Primary Government	<u>\$ 111,224</u>	<u>\$ -</u>	<u>\$ 1,389,564</u>	<u>\$ 1,500,788</u>	<u>\$ 1,500,788</u>
Fiduciary Funds					
Cash and equivalents	\$ -	\$ -	\$ 1,993,320	\$ 1,993,320	\$ 1,993,320
T - bonds	-	-	12,881,553	12,881,553	12,881,553
Corporate bonds	-	-	4,556,517	4,556,517	4,556,517
Foreign bonds	-	-	185,120	185,120	185,120
Common stock	-	-	16,644,397	16,644,397	16,644,397
Mutual funds	-	-	8,360,652	8,360,652	8,360,652
Foreign stocks	-	-	734,445	734,445	734,445
Total Fiduciary Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,356,004</u>	<u>\$ 45,356,004</u>	<u>\$ 45,356,004</u>
Total Reporting Entity	<u>\$ 111,224</u>	<u>\$ -</u>	<u>\$ 46,745,568</u>	<u>\$ 46,856,792</u>	<u>\$ 46,856,792</u>
Plus Certificates of Deposit Reported as Investments					
Primary government	\$ 1,052,262	\$ -	\$ -	\$ 1,052,262	\$ 1,052,262
Fiduciary funds	-	-	-	-	-
Total Certificates of Deposit Reported as Investments	<u>\$ 1,052,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,052,262</u>	<u>\$ 1,052,262</u>
Investments as Reported in Statements					
Primary government	\$ 1,163,486	\$ -	\$ 1,389,564	\$ 2,553,050	\$ 2,553,050
Fiduciary funds	-	-	45,356,004	45,356,004	45,356,004
Total Investments Reported in Statements	<u>\$ 1,163,486</u>	<u>\$ -</u>	<u>\$ 46,745,568</u>	<u>\$ 47,909,054</u>	<u>\$ 47,909,054</u>

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 3 - PENSION PLAN

A. Plan Description

The City sponsors and administers the City of St. Joseph Employees' Retirement System, a cost-sharing multiple-employer public employee retirement system (PERS). The system covers substantially all full-time employees of the City, as well as all full-time employees of the Benton Harbor-St. Joseph Joint Wastewater Treatment Plant. The PERS is accounted for as a separate Pension Trust Fund and is included as part of the City's reporting entity.

B. Basis of Accounting

The system uses the accrual method of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer had made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

C. Method Used to Value Investments

Investments are reported at fair value. Short-term investments are recorded at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price.

D. Contributions

Employees of the City are required to contribute to the pension plan as follows:

General - 4.0% of annual compensation
Communication Specialists - 4.0% of annual compensation
Police - 6.5% of annual compensation
Fire - 6.5% of annual compensation
Public Works - 3.25% of annual compensation

The City makes periodic contributions to the pension plan based upon recommendations of the actuary and the board of trustees of the retirement system with approval by the City Commission. Administrative costs of the plan are financed through investment earnings.

CITY OF ST. JOSEPH EMPLOYEES RETIREMENT SYSTEM
Required Supplementary Information
Schedule of Funding Progress
(Dollar Amounts in Millions)

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b) - (a) (c)
1997	\$ 34.2	\$ 27.7	\$ (6.5)	123.5%	\$ 4.5	(144.4)%
1998	37.5	29.8	(7.7)	125.8%	4.5	(171.1)%
1999	40.9	28.9	(12.0)	141.5%	4.8	(250.0)%
2000	44.6	31.7	(12.9)	140.7%	5.0	(258.0)%
2001	47.3	33.1	(14.2)	142.9%	5.2	(273.1)%
2002	48.3	34.4	(13.9)	140.4%	5.3	(262.3)%
2003	48.3	36.5	(11.8)	132.3%	5.5	(214.5)%

Required Supplementary Information
Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Recommended Contribution	Actual Contributions	Percent Contributed
1997	\$ 174,154	\$ 184,151	106%
1998	246,164	251,544	102%
1999	293,337	283,586	97%
2000	-	-	100%
2001	-	-	100%
2002	-	-	100%
2003	-	-	100%

CITY OF ST. JOSEPH RETIREMENT SYSTEM
Required Supplementary Information
Summary of Actuarial Methods and Assumptions

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2003
Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Remaining amortization period	Schedule
Assets valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.0%
Projected salary increases*	4.7-8.5%
Total payroll growth	4.5%
Population growth	0%
Cost-of-living adjustments	
General, Public Works, Police Command, Fire	2.5% Compound

*Includes wage inflation at 4.5%

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 4 - CAPITAL ASSETS

In accordance with GASB 34, the City deferred retroactive reporting of infrastructure assets until the fiscal year ended June 30, 2004. The infrastructure assets at July 1, 2003 have been restated to include infrastructure prior to July 1, 2002.

Capital assets activities for the year ended June 30, 2004 were as follows:

	Balance July 1, 2003 (As Restated)	Additions	Deletions	Balance June 30, 2004
Governmental Activities				
Land	\$ 3,567,097	\$ -	\$ -	\$ 3,567,097
Buildings and Improvements	\$ 12,832,535	\$ 694,319	\$ -	\$ 13,526,854
Infrastructure	8,420,324	2,555,321	-	10,975,645
Books	868,203	41,217	-	909,420
Furniture and Equipment	4,149,407	1,028,299	(76,678)	5,101,028
Subtotal	\$ 26,270,469	\$ 4,319,156	\$ (76,678)	\$ 30,512,947
Less: Accumulated Depreciation	(9,051,928)	(1,116,914)	76,678	(10,092,164)
Subtotal	\$ 17,218,541	\$ 3,202,242	\$ -	\$ 20,420,783
Construction in Progress	682,104	630,004	(540,940)	771,168
Total Capital Assets Other Than Land	\$ 17,900,645	\$ 3,832,246	\$ (540,940)	\$ 21,191,951
Business Activities				
Land	\$ 613,862	\$ -	\$ -	\$ 613,862
Buildings and Improvements	\$ 11,600,512	\$ -	\$ (12,134)	\$ 11,588,378
Furniture and Equipment	625,201	12,134	-	637,335
Utility Systems	3,187,377	966,372	-	4,153,749
Subtotal	\$ 15,413,090	\$ 978,506	\$ (12,134)	\$ 16,379,462
Less: Accumulated Depreciation	(7,698,079)	(374,867)	-	(8,072,946)
Subtotal	\$ 7,715,011	\$ 603,639	\$ (12,134)	\$ 8,306,516
Construction in Progress	189,455	419,873	(134,538)	474,790
Total Capital Assets Other Than Land	\$ 7,904,466	\$ 1,023,512	\$ (146,672)	\$ 8,781,306

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 4 - CAPITAL ASSETS - Continued

As of July 1, 2003, the City made the following restatements to capital assets:

Governmental activities capital assets as reported in the governmental activities capital assets - June 30, 2003	\$ 22,903,607
Add infrastructure and land under infrastructure	<u>6,933,959</u>
Governmental activities capital assets as restated - July 1, 2003	<u>\$ 29,837,566</u>
Governmental activities capital assets as restated - July 1, 2003	
Land	\$ 3,567,097
Depreciable assets	<u>26,270,469</u>
Total	<u>\$ 29,837,566</u>

Depreciation expense was charged in the following functions in the statement of activities:

Governmental functions:

General government	\$ 498,190
Public safety	116,539
Highways and streets	237,359
Sanitation	14,154
Recreation and cultural	<u>250,672</u>
Total	<u>\$ 1,116,914</u>

Business-type functions:

Water	\$ 303,591
Sewer	11,449
Marina	<u>59,827</u>
Total	<u>\$ 374,867</u>

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 5 - CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the primary government for the year ended June 30, 2004:

	<u>General Obligation Bonds</u>	<u>Notes Payable</u>	<u>Equipment Lease</u>	<u>Compensated Absences</u>	<u>Water System Obligations</u>
As of July 1, 2003	\$ 4,230,000	\$ 1,879,000	\$ 15,896	\$ 320,854	\$ 250,000
Additions	2,029,056	425,000	-	61,363	-
(Reductions)	(45,000)	(288,850)	(5,852)	-	(250,000)
As of June 30, 2004	<u>\$ 6,214,056</u>	<u>\$ 2,015,150</u>	<u>\$ 10,044</u>	<u>\$ 382,217</u>	<u>\$ -</u>

Long-term debt at June 30, 2004 is comprised of the following individual issues:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
Governmental Activities - Primary Activities					
\$4,300,000 2002 Improvement and Refunding Bonds due in annual installments of \$45,000 to \$375,000 through May 1, 2027; interest from 2.70% to 5.10% - Debt Service Fund.	\$ 4,230,000	\$ -	\$ (45,000)	\$ 4,185,000	\$ 55,000
\$1,846,525 2003 State Revolving Fund Bonds due in annual installments of \$72,000 to \$119,525 through October 1, 2023; interest at 2.50% - Debt Service Fund.	-	1,846,525	-	1,846,525	80,000
\$182,531 2004 State Revolving Fund Bonds due in annual installments of \$2,531 to \$90,000 through April 1, 2025; interest at 2.125% - Debt Service Fund.	-	182,531	-	182,531	-
\$1,900,000 1996 installment note to Fifth Third Bank due in semi-annual installments of \$78,471 to \$89,961 through May 1, 2010; interest at 2.50% - General Fund	1,079,000	-	(69,836)	1,009,164	157,923
\$425,000 2004 installment note to Bank One due in semi-annual installments of \$40,537 to \$45,090 through September 5, 2008; interest at 2.679% - Public Improvement Fund.	-	425,000	(40,001)	384,999	81,616

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 5 - CHANGES IN LONG-TERM DEBT - Continued

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
Governmental Activities - Primary Activities - Continued					
\$550,000 2003 installment note to Bank One due in semi-annual installments of \$91,107 to \$94,399 through June 4, 2006; interest at 2.38% - Capital Improvement Fund	550,000	-	(179,013)	370,987	183,299
\$250,000 interest-free loan from Berrien County Revolving Loan Fund due in annual installments of \$25,000 beginning on January 1, 2011, through January 1, 2020 - Capital Improvement Fund.	250,000	-	-	250,000	-
\$17,819 equipment lease to Fifth Third Bank due in monthly installments of \$483 to \$511 through February 1, 2006; interest at 2.34% - General Fund	15,896	-	(5,852)	10,044	5,991
Compensated Absences - General Fund, Major Street, Local Street, Building Inspection, CSO Capital Projects, Motor Pool	<u>257,608</u>	<u>56,320</u>	<u>-</u>	<u>313,928</u>	<u>235,446</u>
Total Primary Government	<u>\$ 6,382,504</u>	<u>\$ 2,510,376</u>	<u>\$ (339,702)</u>	<u>\$ 8,553,178</u>	<u>\$ 799,275</u>
Business Activities					
\$4,700,000 1973 Berrien County Water Supply System No. 4 (City of St. Joseph) serial bonds due in annual installments of \$250,000 through November 1, 2003; interest at 4.5% - Water Fund	\$ 250,000	\$ -	\$ (250,000)	\$ -	\$ -
Compensated Absences - Water Fund, Sewer Fund, Marina Fund	<u>63,246</u>	<u>5,043</u>	<u>-</u>	<u>68,289</u>	<u>51,216</u>
Total Business Activities	<u>\$ 313,246</u>	<u>\$ 5,043</u>	<u>\$ (250,000)</u>	<u>\$ 68,289</u>	<u>\$ 51,216</u>

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 5 - CHANGES IN LONG-TERM DEBT - Continued

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Governmental Activities		Business Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 799,275	\$ 285,254	\$ 51,216	\$ -
2006	737,936	271,072	17,073	-
2007	493,545	254,884	-	-
2008	412,573	241,262	-	-
2009	385,514	229,410	-	-
2010-2014	1,276,310	1,011,823	-	-
2015-2019	1,486,500	786,174	-	-
2020-2024	1,901,525	479,395	-	-
2025-2029	1,060,000	110,415	-	-
Total	<u>\$ 8,553,178</u>	<u>\$ 3,669,689</u>	<u>\$ 68,289</u>	<u>\$ -</u>

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the year, the following transfers were made between funds:

From General Fund	
To Public Improvement Fund - For operations	\$ 25,000
To Local Street Fund - For operations	400,000
From Memorial Hall Fund	
To General Fund - To close fund	8,759
From Capital Improvement Fund	
To Street Improvement Fund - For operations	300,000
To Motor Pool Fund - For operations	13,000
From Library Fund	
To Library Capital Improvement Fund - For operations	20,000
From Water Fund	
To General Fund - For administration	434,000
From Sewer Fund	
To General Fund - For operations	100,000
From Library Endowment Fund	
To Library Fund - For operations	20,000
From CSO Capital Project Fund	
To Water Fund - To transfer construction in progress	835,732
To Sewer Fund - To transfer construction in progress	173,732
From Major Street Fund	
To Street Improvement Fund - For operations	29,785
From Water/Sewer Capital Projects Fund	
To Street Improvement Fund - For operations	35,000
From Brownfield Authority Fund	
To General Fund - For operations	30,000
From Flex Spending Trust Fund	
To General Fund - For operations	100
Total Transfers Between Funds	\$ <u>2,425,108</u>

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued

The composition of interfund balances as of June 30, 2004, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Treasurer's Tax	\$ 988
	Imprest Payroll	377
	Water	64,000
	Major Street	1,251
	Local Street	971
Sewer	Water	4,922
Water	Motor Pool	31,828
Motor Pool	General	17,479
	Major Street	11,005
	Local Street	24,717
	Building Inspection	800
	CSO Capital Improvement	400
	Sewer	2,100
Nonmajor Governmental Funds	Motor Pool	15,877
	Public Library	100
	Library Capital Improvement	194,680
	General	211,225
	Self Insurance	12,434
Total		<u>\$ 595,154</u>

NOTE 7 - RISK MANAGEMENT

The City of St. Joseph carries insurance for risks of loss, including torts; theft of, damage to, and destruction of assets; error and omissions; workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in the past fiscal year.

NOTE 8 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the City. In the opinion of management and legal counsel, all such matters are covered by insurance or if not so covered, are without merit and, in any event, their ultimate resolution will not have a material effect on the City's financial position or operations.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 9 - EMPLOYEES' DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with the provisions of the Internal Revenue Code Section 457. As a result of federal legislation with regard to Internal Revenue Code Section 457, the City has no rights to the assets of the deferred compensation plan. The assets of the plan have been transferred into individual trust accounts of the employees and are not subject to the claims of the general creditors of the City. Therefore, the City is not required to account for the deferred compensation plan.

NOTE 10 - FUND BALANCE DEFICITS

The City has incurred an accumulated deficit of \$194,680 in the Library Capital Improvement Fund, primarily due to expenditures occurring prior to the receipt of contributions that will be used to cover the project.

NOTE 11 - EXPENDITURES OVER BUDGET

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved General Fund budget of the City was adopted at the department level. During the year ended June 30, 2004, the City incurred expenditures in certain budgetary functions, which were in excess of the amount appropriated as follows:

	<u>Activity Appropriation</u>	<u>Activity Expenditures</u>	<u>Unfavorable Budget Activity</u>
General Fund			
Memorial Hall	\$ 8,900	\$ 9,509	\$ (609)
City Hall	179,800	180,274	(474)
Welcome Center	10,800	11,118	(318)
Ice Arena	130,300	132,112	(1,812)
Community Activities	47,600	47,970	(370)
Local Street Fund	766,700	801,732	(35,032)
Band Fund	70,300	70,954	(654)
Public Library Fund	634,800	635,626	(826)
Drug Forfeiture Fund	-	4,000	(4,000)

NOTE 12 - USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 13 - ST JOSEPH DEVELOPMENT FUND

The St. Joseph Development Fund (Fund) is an autonomous entity functioning as an affiliate of the Cornerstone Alliance, a 501(c)(3) nonprofit organization, and St. Joseph Improvement Association. The purpose of the Fund is to financially assist in the retention and attraction of customer-focused business entities to help grow the retail base of the region. To date the City has contributed a total of \$600,000 to the Fund. In the event of dissolution of the Fund, the City would be entitled to its pro-rata share of the assets of the Fund based upon its contributions.

CITY OF ST. JOSEPH
NONMAJOR GOVERNMENTAL FUNDS
Description of Funds

Special Revenue Funds

Special revenue fund are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Street Improvement Fund - This fund is used to account for revenues collected and monies expended for the purpose of improving city streets.

Major Street Fund - This fund is used to account for revenues collected (including Act 51 revenue received from the State of Michigan Department of Transportation) and monies expended for capital improvements and routine maintenance of streets designated as major streets.

Local Street Fund - This fund is used to account for revenues collected (including Act 51 revenue received from the State of Michigan Department of Transportation) and monies expended for capital improvements and routine maintenance of streets designated as local streets.

Band Fund - This fund is used to account for revenues collected and monies expended in the operation of the municipal band.

Public Library Fund - This fund is used to account for revenues collected and monies expended in the operation of the public library.

Depot Fund - This fund is used to account for revenues collected and monies expended in the operation of the train depot.

Building Inspection Fund - This fund is used to account for revenues collected and monies expended for the purpose of funding planning, zoning and inspection functions.

Brownfield Authority Fund - This fund is used to account for revenues captured and monies expended for environmental clean up and economic development of specific areas within the city limits.

Memorial Hall Fund - This fund is used to account for revenues collected and monies expended in the operation of the historic Veteran's Hall.

Public Improvement Fund - This fund is used to account for revenues collected and set aside for capital improvements within specific government functions.

Drug Forfeiture Fund - This fund is used to account for revenues collected and monies expended under specific forfeiture laws.

Criminal Forfeiture Fund - This fund is used to account for revenues collected and monies expended under specific forfeiture laws.

Justice Training Fund - This fund is used to account for revenues collected and monies expended for the purpose of police officer training as provided by the Federal Government.

**CITY OF ST. JOSEPH
NONMAJOR GOVERNMENTAL FUNDS
Description of Funds**

Debt Service Fund

Debt Service Fund - This fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Perpetual Care Fund - This fund is used to account for principal trust amounts and related interest income. The interest portion of the trust can be used for future expenses related to the maintenance of the community cemeteries.

Library Endowment Fund - This fund is used to account for principal trust amounts and related interest income. The interest portion of the trust can only be used for the purchase of library books.

CITY OF ST. JOSEPH
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2004

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,640,601	\$ 305,358	\$ 287,520	\$ 3,233,479
Investments	102,762	-	520,622	623,384
Receivables	92,946	-	-	92,946
Due from other funds	<u>215,877</u>	<u>-</u>	<u>194,780</u>	<u>410,657</u>
Total Current Assets	<u>\$ 3,052,186</u>	<u>\$ 305,358</u>	<u>\$ 1,002,922</u>	<u>\$ 4,360,466</u>
TOTAL ASSETS	<u>\$ 3,052,186</u>	<u>\$ 305,358</u>	<u>\$ 1,002,922</u>	<u>\$ 4,360,466</u>
Liabilities and Fund Balances				
Current Liabilities:				
Accounts payable	\$ 1,392	\$ -	\$ -	\$ 1,392
Due to other funds	<u>38,844</u>	<u>-</u>	<u>-</u>	<u>38,844</u>
Total Current Liabilities	<u>\$ 40,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,236</u>
Total Liabilities	<u>\$ 40,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,236</u>
Fund Balances:				
Reserved for:				
Restricted fund balance	\$ 2,278	\$ -	\$ 1,002,922	\$ 1,005,200
Unreserved, reported in				
Special Revenue	3,009,672	-	-	3,009,672
Debt Service	<u>-</u>	<u>305,358</u>	<u>-</u>	<u>305,358</u>
Total Fund Balances	<u>\$ 3,011,950</u>	<u>\$ 305,358</u>	<u>\$ 1,002,922</u>	<u>\$ 4,320,230</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,052,186</u>	<u>\$ 305,358</u>	<u>\$ 1,002,922</u>	<u>\$ 4,360,466</u>

CITY OF ST. JOSEPH
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Funds Balances
For the Year Ended June 30, 2004

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:				
Taxes	\$ 451,139	\$ 391,794	\$ -	\$ 842,933
State revenues	752,532	-	-	752,532
Licenses and permits	224,486	-	-	224,486
Fines, fees, and forfeits	319,973	-	-	319,973
Contributions	341,830	-	100	341,930
Interest	7,281	799	23,013	31,093
Other	140,263	-	-	140,263
Total Revenues	\$ 2,237,504	\$ 392,593	\$ 23,113	\$ 2,653,210
Expenditures:				
Current:				
General government	\$ 7,167	\$ -	\$ -	\$ 7,167
Public safety	13,331	-	-	13,331
Highways and streets	897,172	-	-	897,172
Recreation and cultural	655,230	-	-	655,230
Community and economic development	352,080	-	-	352,080
Debt service:				
Principal retirement	40,001	45,000	-	85,001
Interest	16,992	220,546	-	237,538
Capital outlay	1,196,041	-	-	1,196,041
Total Expenditures	\$ 3,178,014	\$ 265,546	\$ -	\$ 3,443,560
Revenues Over (Under) Expenditures	\$ (940,510)	\$ 127,047	\$ 23,113	\$ (790,350)
Other Financing Sources (Uses):				
Operating transfers in	\$ 809,785	\$ -	\$ -	\$ 809,785
Operating transfers out	(79,785)	-	(20,000)	(99,785)
Residual equity transfers in (out)	(8,759)	-	-	(8,759)
Proceeds from notes	425,000	-	-	425,000
Total Other Financing Sources (Uses)	\$ 1,146,241	\$ -	\$ (20,000)	\$ 1,126,241
Net Change in Fund Balances	\$ 205,731	\$ 127,047	\$ 3,113	\$ 335,891
Fund Balances - Beginning of Year	2,806,219	178,311	999,809	3,984,339
FUND BALANCES - END OF YEAR	\$ 3,011,950	\$ 305,358	\$ 1,002,922	\$ 4,320,230

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Revenues, Compared to Budget
For the Year Ended June 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Taxes:			
General		\$ 4,143,507	
Industrial and commercial facilities tax		37,855	
Penalty and interest on taxes		9,599	
Property tax administration fees		<u>126,123</u>	
Total Taxes	<u>\$ 4,315,300</u>	<u>\$ 4,317,084</u>	<u>\$ 1,784</u>
State Revenues:			
State taxes		\$ 1,022,491	
Other		<u>10,796</u>	
Total State Revenues	<u>\$ 1,010,700</u>	<u>\$ 1,033,287</u>	<u>\$ 22,587</u>
Charges for Services:			
Administrative reimbursement		\$ 83,300	
Cemetery		196,520	
Park fees		60,407	
Photocopies		1,921	
Rubbish bags		2,906	
Boat launch		12,699	
Community service		10,915	
Ice arena		<u>162,489</u>	
Total Charges for Services	<u>\$ 473,000</u>	<u>\$ 531,157</u>	<u>\$ 58,157</u>
Licenses and Permits:			
Licenses	<u>\$ 3,100</u>	<u>\$ 3,836</u>	<u>\$ 736</u>
Fines and Forfeits:			
District Court		\$ 49,546	
Parking fines		<u>68,169</u>	
Total Fines and Forfeits	<u>\$ 109,000</u>	<u>\$ 117,715</u>	<u>\$ 8,715</u>
Contributions	<u>\$ 200</u>	<u>\$ 250</u>	<u>\$ 50</u>
Interest	<u>\$ 30,000</u>	<u>\$ 24,441</u>	<u>\$ (5,559)</u>
Miscellaneous	<u>\$ 101,500</u>	<u>\$ 143,950</u>	<u>\$ 42,450</u>
TOTAL REVENUES	<u>\$ 6,042,800</u>	<u>\$ 6,171,720</u>	<u>\$ 128,920</u>

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended June 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Legislative:			
Commission:			
Salaries and wages		\$ 15,708	
Employment related costs		1,202	
Contractual services		5,283	
Miscellaneous		<u>10,253</u>	
Total Legislative	<u>\$ 34,700</u>	<u>\$ 32,446</u>	<u>\$ 2,254</u>
General Government:			
City Manager:			
Salaries and wages		\$ 160,373	
Employment related costs		46,177	
Supplies		1,735	
Contractual services		5,742	
Miscellaneous		<u>1,507</u>	
Total City Manager	<u>\$ 228,800</u>	<u>\$ 215,534</u>	<u>\$ 13,266</u>
Elections:			
Salaries and wages		\$ 3,025	
Employment related costs		231	
Supplies		4,730	
Contractual services		10,480	
Miscellaneous		<u>1,810</u>	
Total Elections	<u>\$ 20,300</u>	<u>\$ 20,276</u>	<u>\$ 24</u>
City Assessor:			
Salaries and wages		\$ 91,528	
Employment related costs		20,199	
Supplies		283	
Contractual services		3,767	
Rent		4,000	
Miscellaneous		<u>1,458</u>	
Total City Assessor	<u>\$ 126,500</u>	<u>\$ 121,235</u>	<u>\$ 5,265</u>
City Attorney:			
Professional services		\$ 64,924	
Contractual services		<u>310</u>	
Total City Attorney	<u>\$ 72,500</u>	<u>\$ 65,234</u>	<u>\$ 7,266</u>

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended June 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government (continued):			
Clerk:			
Salaries and wages		\$ 58,544	
Employment related costs		12,450	
Supplies		2,636	
Contractual services		2,878	
Miscellaneous		<u>282</u>	
Total Clerk	<u>\$ 77,700</u>	<u>\$ 76,790</u>	<u>\$ 910</u>
Treasurer:			
Salaries and wages		\$ 121,219	
Employment related costs		15,658	
Supplies		8,650	
Contractual services		22,996	
Repairs and maintenance		3,754	
Miscellaneous		<u>186</u>	
Total Treasurer	<u>\$ 178,700</u>	<u>\$ 172,463</u>	<u>\$ 6,237</u>
Personnel:			
Salaries and wages		\$ 39,977	
Employment related costs		12,351	
Supplies		1,008	
Contractual services		1,858	
Employee recognition		7,605	
Miscellaneous		<u>1,130</u>	
Total Personnel	<u>\$ 67,000</u>	<u>\$ 63,929</u>	<u>\$ 3,071</u>
Memorial Hall:			
Repairs and maintenance		\$ 6,180	
Insurance		3,000	
Miscellaneous		<u>329</u>	
Total Memorial Hall	<u>\$ 8,900</u>	<u>\$ 9,509</u>	<u>\$ (609)</u>

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended June 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government (continued):			
City Hall:			
Salaries and wages		\$ 20,971	
Employment related costs		9,404	
Supplies		30,176	
Contractual services		41,338	
Utilities		45,635	
Repairs and maintenance		25,424	
Rent		<u>7,326</u>	
Total City Hall	<u>\$ 179,800</u>	<u>\$ 180,274</u>	<u>\$ (474)</u>
General Administration:			
Salaries and wages		\$ 64,633	
Employment related costs		15,934	
Supplies		3,608	
Contractual services		18,987	
Miscellaneous		<u>86</u>	
Total General Administration	<u>\$ 113,400</u>	<u>\$ 103,248</u>	<u>\$ 10,152</u>
Cemetery:			
Salaries and wages		\$ 144,000	
Employment related costs		39,282	
Supplies		12,519	
Contractual services		1,870	
Utilities		2,650	
Repairs and maintenance		3,451	
Rent		6,600	
Miscellaneous		<u>461</u>	
Total Cemetery	<u>\$ 213,600</u>	<u>\$ 210,833</u>	<u>\$ 2,767</u>
Total General Government	<u>\$ 1,287,200</u>	<u>\$ 1,239,325</u>	<u>\$ 47,875</u>

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended June 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety:			
Police:			
Salaries and wages		\$ 1,185,008	
Employment related costs		233,987	
Supplies		47,753	
Contractual services		14,791	
Repairs and maintenance		7,385	
Rent		73,394	
Miscellaneous		<u>2,202</u>	
Total Police	<u>\$ 1,590,800</u>	<u>\$ 1,564,520</u>	<u>\$ 26,280</u>
Fire:			
Salaries and wages		\$ 703,695	
Employment related costs		179,058	
Supplies		21,832	
Contractual services		8,122	
Utilities		16,137	
Repairs and maintenance		14,534	
Rent		2,606	
Miscellaneous		861	
Equipment acquisitions		<u>10,000</u>	
Total Fire	<u>\$ 969,200</u>	<u>\$ 956,845</u>	<u>\$ 12,355</u>
Fire Reserves:			
Salaries and wages		\$ 490	
Employment related costs		38	
Supplies		<u>2,996</u>	
Total Fire Reserves	<u>\$ 5,000</u>	<u>\$ 3,524</u>	<u>\$ 1,476</u>

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended June 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety - (continued):			
Fire Dive Team:			
Supplies		\$ 3,792	
Repairs and maintenance		12	
Total Fire Dive Team	\$ 4,000	\$ 3,804	\$ 196
Total Public Safety	\$ 2,569,000	\$ 2,528,693	\$ 40,307
Highways and Streets:			
Engineer:			
Salaries and wages		\$ 31,059	
Employment related costs		11,710	
Supplies		3,104	
Contractual services		1,951	
Repairs and maintenance		400	
Miscellaneous		127	
Total Engineer	\$ 53,400	\$ 48,351	\$ 5,049
Transportation study	\$ 3,800	\$ 3,739	\$ 61
Street lighting	\$ 135,000	\$ 120,702	\$ 14,298
Other	\$ 186,300	\$ 187,070	\$ (770)
Total Highways and Streets	\$ 378,500	\$ 359,862	\$ 18,638
Sanitation:			
Salaries and wages		\$ 76,562	
Employment related costs		35,556	
Supplies		332	
Contractual services		345,799	
Rent		88,036	
Total Sanitation	\$ 558,900	\$ 546,285	\$ 12,615
Health and Welfare:			
Ambulance:			
Contractual services	\$ 49,300	\$ 45,044	\$ 4,256
Total Health and Welfare	\$ 49,300	\$ 45,044	\$ 4,256

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended June 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Recreation and Cultural:			
Parks:			
Salaries and wages		\$ 309,402	
Employment related costs		98,788	
Supplies		38,376	
Contractual services		6,380	
Utilities		10,204	
Repairs and maintenance		12,526	
Rent		51,506	
Miscellaneous		<u>726</u>	
Total Parks	<u>\$ 539,800</u>	<u>\$ 527,908</u>	<u>\$ 11,892</u>
Welcome Center:			
Salaries and wages		\$ 10,276	
Employment related costs		785	
Rent		<u>57</u>	
Total Welcome Center	<u>\$ 10,800</u>	<u>\$ 11,118</u>	<u>\$ (318)</u>
City Recreation Program:			
Supplies		\$ 2,996	
Contractual services		<u>28,900</u>	
Total City Recreation Program	<u>\$ 33,600</u>	<u>\$ 31,896</u>	<u>\$ 1,704</u>
Ice Arena:			
Salaries and wages		\$ 50,850	
Employment related costs		3,836	
Supplies		19,046	
Contractual services		7,131	
Utilities		45,254	
Repairs and maintenance		2,471	
Rent		3,005	
Miscellaneous		<u>519</u>	
Total Ice Arena	<u>\$ 130,300</u>	<u>\$ 132,112</u>	<u>\$ (1,812)</u>
Community Activities	<u>\$ 47,600</u>	<u>\$ 47,970</u>	<u>\$ (370)</u>
Total Recreation and Cultural	<u>\$ 762,100</u>	<u>\$ 751,004</u>	<u>\$ 11,096</u>

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended June 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Community and Economic Development:			
Cornerstone Alliance contribution	\$ 60,000	\$ 60,000	\$ -
Other:			
Insurance and bonds	\$ 105,000	\$ 104,154	\$ 846
Contingencies and miscellaneous expenditures	<u>32,000</u>	<u>21,959</u>	<u>10,041</u>
Total Other	\$ 137,000	\$ 126,113	\$ 10,887
Debt Service:			
Principal retirement	\$ 140,800	\$ 69,836	\$ 70,964
Interest expense	<u>31,400</u>	<u>51,167</u>	<u>(19,767)</u>
Total Debt Service	\$ 172,200	\$ 121,003	\$ 51,197
TOTAL EXPENDITURES	<u>\$ 6,008,900</u>	<u>\$ 5,809,775</u>	<u>\$ 199,125</u>

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Other Financing Sources and Uses,
Compared to Budget
For the Year Ended June 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating Transfers In:			
Brownfield Authority Fund	\$ 30,000	\$ 30,000	\$ -
Water Fund	440,000	434,000	(6,000)
Sewer Fund	100,000	100,000	-
Flex Spending Fund	<u>100</u>	<u>100</u>	<u>-</u>
Total Operating Transfers In	<u>\$ 570,100</u>	<u>\$ 564,100</u>	<u>\$ (6,000)</u>
Operating Transfers Out:			
Public Improvement Fund	\$ (25,000)	\$ (25,000)	\$ -
Local Street Fund	(400,000)	(400,000)	-
Capital Improvement Fund	<u>(187,300)</u>	<u>-</u>	<u>187,300</u>
Total Operating Transfers Out	<u>\$ (612,300)</u>	<u>\$ (425,000)</u>	<u>\$ 187,300</u>
Residual Equity Transfers In:			
Memorial Hall Fund	<u>\$ 8,700</u>	<u>\$ 8,759</u>	<u>\$ 59</u>
Total Residual Equity Transfers In	<u>\$ 8,700</u>	<u>\$ 8,759</u>	<u>\$ 59</u>
Total Other Financing Sources (Uses)	<u>\$ (33,500)</u>	<u>\$ 147,859</u>	<u>\$ 181,359</u>

**CITY OF ST. JOSEPH
SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2004**

	<u>Street Improvement</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Band</u>
Assets				
Cash and cash equivalents	\$ 742,438	\$ 1,028,449	\$ 237,788	\$ 15,447
Investments	102,762	-	-	-
Receivables	-	33,020	26,331	-
Due from other funds	-	-	200,000	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 845,200</u>	<u>\$ 1,061,469</u>	<u>\$ 464,119</u>	<u>\$ 15,447</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	12,256	25,688	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ -</u>	<u>\$ 12,256</u>	<u>\$ 25,688</u>	<u>\$ -</u>
Fund Balances:				
Reserved for restricted purposes	\$ -	\$ -	\$ -	\$ -
Unreserved:				
Designated for subsequent year's expenditures	<u>845,200</u>	<u>1,049,213</u>	<u>438,431</u>	<u>15,447</u>
Total Fund Balances	<u>\$ 845,200</u>	<u>\$ 1,049,213</u>	<u>\$ 438,431</u>	<u>\$ 15,447</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 845,200</u>	<u>\$ 1,061,469</u>	<u>\$ 464,119</u>	<u>\$ 15,447</u>

<u>Public Library</u>	<u>Depot</u>	<u>Building Inspection</u>	<u>Brownfield Authority</u>	<u>Memorial Hall</u>	<u>Public Improvement</u>	<u>Drug Forfeiture</u>
\$ 157,027	\$ 47,555	\$ 183,523	\$ 9,585	\$ -	\$ 211,161	\$ 587
-	-	-	-	-	-	-
-	400	33,195	-	-	-	-
-	-	15,877	-	-	-	-
<u>\$ 157,027</u>	<u>\$ 47,955</u>	<u>\$ 232,595</u>	<u>\$ 9,585</u>	<u>\$ -</u>	<u>\$ 211,161</u>	<u>\$ 587</u>
\$ 1,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
100	-	800	-	-	-	-
<u>\$ 1,492</u>	<u>\$ -</u>	<u>\$ 800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>153,257</u>	<u>47,955</u>	<u>231,795</u>	<u>9,585</u>	<u>-</u>	<u>211,161</u>	<u>587</u>
<u>\$ 155,535</u>	<u>\$ 47,955</u>	<u>\$ 231,795</u>	<u>\$ 9,585</u>	<u>\$ -</u>	<u>\$ 211,161</u>	<u>\$ 587</u>
<u>\$ 157,027</u>	<u>\$ 47,955</u>	<u>\$ 232,595</u>	<u>\$ 9,585</u>	<u>\$ -</u>	<u>\$ 211,161</u>	<u>\$ 587</u>

**CITY OF ST. JOSEPH
SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2004**

	<u>Criminal Forfeiture</u>	<u>Justice Training</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,448	\$ 5,593	\$ 2,640,601
Investments	-	-	102,762
Receivables	-	-	92,946
Due from other funds	-	-	215,877
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,448</u>	<u>\$ 5,593</u>	<u>\$ 3,052,186</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 1,392
Due to other funds	-	-	38,844
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,236</u>
Fund Balances:			
Reserved for restricted purposes	\$ -	\$ -	\$ 2,278
Unreserved:			
Designated for subsequent year's expenditures	<u>1,448</u>	<u>5,593</u>	<u>3,009,672</u>
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>\$ 1,448</u>	<u>\$ 5,593</u>	<u>\$ 3,011,950</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,448</u>	<u>\$ 5,593</u>	<u>\$ 3,052,186</u>

**CITY OF ST. JOSEPH
SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004**

	<u>Street Improvement</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Taxes	\$ 115,400	\$ 115,544	\$ 144
State revenue	-	-	-
Licenses and permits	-	-	-
Fines and fees	-	-	-
Contributions	-	-	-
Interest	1,200	2,076	876
Other	-	-	-
Total Revenues	<u>\$ 116,600</u>	<u>\$ 117,620</u>	<u>\$ 1,020</u>
Expenditures:			
General government	\$ -	\$ -	\$ -
Public safety	-	-	-
Highways and streets	-	-	-
Recreation and cultural	-	-	-
Community and economic development	-	-	-
Debt service	-	-	-
Capital outlay	472,000	41,107	430,893
Total Expenditures	<u>\$ 472,000</u>	<u>\$ 41,107</u>	<u>\$ 430,893</u>
Revenues Over (Under) Expenditures	<u>\$ (355,400)</u>	<u>\$ 76,513</u>	<u>\$ 431,913</u>
Other Financing Sources (Uses):			
Operating transfers in	\$ 337,500	\$ 364,785	\$ 27,285
Operating transfers out	-	-	-
Residual equity transfers in (out)	-	-	-
Proceeds from notes	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 337,500</u>	<u>\$ 364,785</u>	<u>\$ 27,285</u>
Net Change in Fund Balances	<u>\$ (17,900)</u>	<u>\$ 441,298</u>	<u>\$ 459,198</u>
Fund Balances - Beginning of Year	<u>403,902</u>	<u>403,902</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 386,002</u>	<u>\$ 845,200</u>	<u>\$ 459,198</u>

Major Street			Local Street		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
424,000	458,722	34,722	152,300	162,730	10,430
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,200	2,291	91	900	746	(154)
-	-	-	95,900	99,503	3,603
<u>\$ 426,200</u>	<u>\$ 461,013</u>	<u>\$ 34,813</u>	<u>\$ 249,100</u>	<u>\$ 262,979</u>	<u>\$ 13,879</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
363,600	318,723	44,877	543,700	578,449	(34,749)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,300	4,265	35	223,000	223,283	(283)
<u>\$ 367,900</u>	<u>\$ 322,988</u>	<u>\$ 44,912</u>	<u>\$ 766,700</u>	<u>\$ 801,732</u>	<u>\$ (35,032)</u>
<u>\$ 58,300</u>	<u>\$ 138,025</u>	<u>\$ 79,725</u>	<u>\$ (517,600)</u>	<u>\$ (538,753)</u>	<u>\$ (21,153)</u>
\$ -	\$ -	\$ -	\$ 400,000	\$ 400,000	\$ -
(202,500)	(29,785)	172,715	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ (202,500)</u>	<u>\$ (29,785)</u>	<u>\$ 172,715</u>	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ -</u>
\$ (144,200)	\$ 108,240	\$ 252,440	\$ (117,600)	\$ (138,753)	\$ (21,153)
940,973	940,973	-	577,184	577,184	-
<u>\$ 796,773</u>	<u>\$ 1,049,213</u>	<u>\$ 252,440</u>	<u>\$ 459,584</u>	<u>\$ 438,431</u>	<u>\$ (21,153)</u>

**CITY OF ST. JOSEPH
SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004**

	<u>Band</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>
Revenues:			
Taxes	\$ 67,800	\$ 67,870	\$ 70
State revenue	-	-	-
Licenses and permits	-	-	-
Fines and fees	200	1,075	875
Contributions	-	-	-
Interest	100	48	(52)
Other	-	-	-
Total Revenues	<u>\$ 68,100</u>	<u>\$ 68,993</u>	<u>\$ 893</u>
Expenditures:			
General government	\$ -	\$ -	\$ -
Public safety	-	-	-
Highways and streets	-	-	-
Recreation and cultural	70,300	70,954	(654)
Community and economic development	-	-	-
Debt service	-	-	-
Capital outlay	-	-	-
Total Expenditures	<u>\$ 70,300</u>	<u>\$ 70,954</u>	<u>\$ (654)</u>
Revenues Over (Under) Expenditures	<u>\$ (2,200)</u>	<u>\$ (1,961)</u>	<u>\$ 239</u>
Other Financing Sources (Uses):			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	-	-
Residual equity transfers in (out)	-	-	-
Proceeds from notes	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (2,200)</u>	<u>\$ (1,961)</u>	<u>\$ 239</u>
Fund Balances - Beginning of Year	<u>17,408</u>	<u>17,408</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 15,208</u>	<u>\$ 15,447</u>	<u>\$ 239</u>

Public Library			Depot		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ 196,300	\$ 196,434	\$ 134	\$ -	\$ -	\$ -
31,600	34,955	3,355	-	-	-
-	-	-	-	-	-
213,600	215,021	1,421	-	-	-
177,400	186,840	9,440	-	-	-
600	548	(52)	-	-	-
18,300	20,968	2,668	100	153	53
			17,400	16,970	(430)
<u>\$ 637,800</u>	<u>\$ 654,766</u>	<u>\$ 16,966</u>	<u>\$ 17,500</u>	<u>\$ 17,123</u>	<u>\$ (377)</u>
\$ -	\$ -	\$ -	\$ 9,600	\$ 6,808	\$ 2,792
-	-	-	-	-	-
-	-	-	-	-	-
531,000	553,262	(22,262)	-	-	-
-	-	-	-	-	-
11,300	11,300	-	-	-	-
92,500	71,064	21,436	-	-	-
			-	-	-
<u>\$ 634,800</u>	<u>\$ 635,626</u>	<u>\$ (826)</u>	<u>\$ 9,600</u>	<u>\$ 6,808</u>	<u>\$ 2,792</u>
<u>\$ 3,000</u>	<u>\$ 19,140</u>	<u>\$ 16,140</u>	<u>\$ 7,900</u>	<u>\$ 10,315</u>	<u>\$ 2,415</u>
\$ 32,000	\$ 20,000	\$ (12,000)	\$ -	\$ -	\$ -
(20,000)	(20,000)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ (12,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 15,000	\$ 19,140	\$ 4,140	\$ 7,900	\$ 10,315	\$ 2,415
136,395	136,395	-	37,640	37,640	-
<u>\$ 151,395</u>	<u>\$ 155,535</u>	<u>\$ 4,140</u>	<u>\$ 45,540</u>	<u>\$ 47,955</u>	<u>\$ 2,415</u>

**CITY OF ST. JOSEPH
SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004**

	Building Inspection		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Taxes	\$ -	\$ -	\$ -
State revenue	59,000	92,859	33,859
Licenses and permits	224,300	224,486	186
Fines and fees	103,900	103,877	(23)
Contributions	-	-	-
Interest	500	529	29
Other	2,300	2,414	114
Total Revenues	<u>\$ 390,000</u>	<u>\$ 424,165</u>	<u>\$ 34,165</u>
Expenditures:			
General government	\$ -	\$ -	\$ -
Public safety	-	-	-
Highways and streets	-	-	-
Recreation and cultural	-	-	-
Community and economic development	330,800	320,301	10,499
Debt service	-	-	-
Capital outlay	128,000	116,668	11,332
Total Expenditures	<u>\$ 458,800</u>	<u>\$ 436,969</u>	<u>\$ 21,831</u>
Revenues Over (Under) Expenditures	<u>\$ (68,800)</u>	<u>\$ (12,804)</u>	<u>\$ 55,996</u>
Other Financing Sources (Uses):			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	-	-
Residual equity transfers in (out)	-	-	-
Proceeds from notes	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (68,800)</u>	<u>\$ (12,804)</u>	<u>\$ 55,996</u>
Fund Balances - Beginning of Year	<u>244,599</u>	<u>244,599</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 175,799</u>	<u>\$ 231,795</u>	<u>\$ 55,996</u>

Brownfield Authority		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ 71,100	\$ 71,291	\$ 191
-	-	-
-	-	-
-	-	-
100	118	18
-	-	-
<u>\$ 71,200</u>	<u>\$ 71,409</u>	<u>\$ 209</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
31,900	31,779	121
-	-	-
-	-	-
<u>\$ 31,900</u>	<u>\$ 31,779</u>	<u>\$ 121</u>
<u>\$ 39,300</u>	<u>\$ 39,630</u>	<u>\$ 330</u>
\$ -	\$ -	\$ -
(30,000)	(30,000)	-
-	-	-
-	-	-
<u>\$ (30,000)</u>	<u>\$ (30,000)</u>	<u>\$ -</u>
\$ 9,300	\$ 9,630	\$ 330
(45)	(45)	-
<u>\$ 9,255</u>	<u>\$ 9,585</u>	<u>\$ 330</u>

Memorial Hall		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -
-	-	-
(8,800)	(8,759)	41
-	-	-
<u>\$ (8,800)</u>	<u>\$ (8,759)</u>	<u>\$ 41</u>
\$ (8,800)	\$ (8,759)	\$ 41
8,759	8,759	-
<u>\$ (41)</u>	<u>\$ -</u>	<u>\$ 41</u>

CITY OF ST. JOSEPH
SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004

	Public Improvement		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Taxes	\$ -	\$ -	\$ -
State revenue	-	-	-
Licenses and permits	-	-	-
Fines and fees	-	-	-
Contributions	137,300	154,990	17,690
Interest	500	738	238
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>\$ 137,800</u>	<u>\$ 155,728</u>	<u>\$ 17,928</u>
Expenditures:			
General government	\$ 400	\$ 359	\$ 41
Public safety	7,900	7,568	332
Highways and streets	-	-	-
Recreation and cultural	31,500	31,014	486
Community and economic development	-	-	-
Debt service	45,700	45,693	7
Capital outlay	740,000	739,654	346
	<u>740,000</u>	<u>739,654</u>	<u>346</u>
Total Expenditures	<u>\$ 825,500</u>	<u>\$ 824,288</u>	<u>\$ 1,212</u>
Revenues Over (Under) Expenditures	<u>\$ (687,700)</u>	<u>\$ (668,560)</u>	<u>\$ 19,140</u>
Other Financing Sources (Uses):			
Operating transfers in	\$ 25,000	\$ 25,000	\$ -
Operating transfers out	-	-	-
Residual equity transfers in (out)	-	-	-
Proceeds from notes	425,000	425,000	-
	<u>425,000</u>	<u>425,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ 450,000</u>	<u>\$ 450,000</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (237,700)</u>	<u>\$ (218,560)</u>	<u>\$ 19,140</u>
Fund Balances - Beginning of Year	<u>429,721</u>	<u>429,721</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 192,021</u>	<u>\$ 211,161</u>	<u>\$ 19,140</u>

Drug Forfeiture		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	16	16
<u>300</u>	<u>333</u>	<u>33</u>
\$ 300	\$ 349	\$ 49
\$ -	\$ -	\$ -
-	4,000	(4,000)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ 4,000	\$ (4,000)
\$ 300	\$ (3,651)	\$ (3,951)
\$ -	\$ -	\$ -
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ -
\$ 300	\$ (3,651)	\$ (3,951)
<u>4,238</u>	<u>4,238</u>	<u>-</u>
<u>\$ 4,538</u>	<u>\$ 587</u>	<u>\$ (3,951)</u>

Criminal Forfeiture		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	5	5
<u>-</u>	<u>75</u>	<u>75</u>
\$ -	\$ 80	\$ 80
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ -
\$ -	\$ 80	\$ 80
\$ -	\$ -	\$ -
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ -
\$ -	\$ 80	\$ 80
<u>1,368</u>	<u>1,368</u>	<u>-</u>
<u>\$ 1,368</u>	<u>\$ 1,448</u>	<u>\$ 80</u>

**CITY OF ST. JOSEPH
SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004**

	<u>Justice Training</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Taxes	\$ -	\$ -	\$ -
State revenue	900	3,266	2,366
Licenses and permits	-	-	-
Fines and fees	-	-	-
Contributions	-	-	-
Interest	-	13	13
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>\$ 900</u>	<u>\$ 3,279</u>	<u>\$ 2,379</u>
Expenditures:			
General government	\$ -	\$ -	\$ -
Public safety	1,800	1,763	37
Highways and streets	-	-	-
Recreation and cultural	-	-	-
Community and economic development	-	-	-
Debt service	-	-	-
Capital outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 1,800</u>	<u>\$ 1,763</u>	<u>\$ 37</u>
Revenues Over (Under) Expenditures	<u>\$ (900)</u>	<u>\$ 1,516</u>	<u>\$ 2,416</u>
Other Financing Sources (Uses):			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	-	-
Residual equity transfers in (out)	-	-	-
Proceeds from notes	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (900)</u>	<u>\$ 1,516</u>	<u>\$ 2,416</u>
Fund Balances - Beginning of Year	<u>4,077</u>	<u>4,077</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,177</u>	<u>\$ 5,593</u>	<u>\$ 2,416</u>

Total		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ 450,600	\$ 451,139	\$ 539
667,800	752,532	84,732
224,300	224,486	186
317,700	319,973	2,273
314,700	341,830	27,130
6,200	7,281	1,081
<u>134,200</u>	<u>140,263</u>	<u>6,063</u>
<u>\$ 2,115,500</u>	<u>\$ 2,237,504</u>	<u>\$ 122,004</u>
\$ 10,000	\$ 7,167	\$ 2,833
9,700	13,331	(3,631)
907,300	897,172	10,128
632,800	655,230	(22,430)
362,700	352,080	10,620
57,000	56,993	7
<u>1,659,800</u>	<u>1,196,041</u>	<u>463,759</u>
<u>\$ 3,639,300</u>	<u>\$ 3,178,014</u>	<u>\$ 461,286</u>
<u>\$ (1,523,800)</u>	<u>\$ (940,510)</u>	<u>\$ 583,290</u>
\$ 794,500	\$ 809,785	\$ 15,285
(252,500)	(79,785)	172,715
(8,800)	(8,759)	41
<u>425,000</u>	<u>425,000</u>	<u>-</u>
<u>\$ 958,200</u>	<u>\$ 1,146,241</u>	<u>\$ 188,041</u>
\$ (565,600)	\$ 205,731	\$ 771,331
<u>2,806,219</u>	<u>2,806,219</u>	<u>-</u>
<u>\$ 2,240,619</u>	<u>\$ 3,011,950</u>	<u>\$ 771,331</u>

**CITY OF ST. JOSEPH
COMPONENT UNITS
Combining Statement of Net Assets
June 30, 2004**

	Downtown Development Authority	Tax Increment Finance Authority	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 59,800	\$ 30,912	\$ 90,712
TOTAL ASSETS	\$ 59,800	\$ 30,912	\$ 90,712
Net Assets			
Unrestricted	\$ 59,800	\$ 30,912	\$ 90,712
TOTAL NET ASSETS	\$ 59,800	\$ 30,912	\$ 90,712

**CITY OF ST. JOSEPH
COMPONENT UNITS
Combining Statement of Revenues, Expenditures, and Changes
in Net Assets - Budget and Actual
For the Year Ended June 30, 2004**

		<u>Downtown Development Authority</u>		
		<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Taxes		\$ 37,600	\$ 37,634	\$ 34
Interest		<u>200</u>	<u>260</u>	<u>60</u>
Total Revenues		<u>\$ 37,800</u>	<u>\$ 37,894</u>	<u>\$ 94</u>
Expenditures:				
General government		<u>\$ 44,400</u>	<u>\$ 39,541</u>	<u>\$ 4,859</u>
Total Expenditures		<u>\$ 44,400</u>	<u>\$ 39,541</u>	<u>\$ 4,859</u>
Change in Net Assets		\$ (6,600)	\$ (1,647)	\$ 4,953
Total Net Assets - Beginning of Year		<u>61,447</u>	<u>61,447</u>	<u>-</u>
TOTAL NET ASSETS - END OF YEAR		<u>\$ 54,847</u>	<u>\$ 59,800</u>	<u>\$ 4,953</u>

Tax Increment Finance Authority		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ -	\$ -	\$ -
100	114	14
\$ 100	\$ 114	\$ 14
\$ 500	\$ 495	\$ 5
\$ 500	\$ 495	\$ 5
\$ (400)	\$ (381)	\$ 19
31,293	31,293	-
\$ 30,893	\$ 30,912	\$ 19

Total		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ 37,600	\$ 37,634	\$ 34
300	374	74
\$ 37,900	\$ 38,008	\$ 108
\$ 44,900	\$ 40,036	\$ 4,864
\$ 44,900	\$ 40,036	\$ 4,864
\$ (7,000)	\$ (2,028)	\$ 4,972
92,740	92,740	-
\$ 85,740	\$ 90,712	\$ 4,972

CITY OF ST. JOSEPH
INTERNAL SERVICE FUNDS
Combining Statement of Net Assets
June 30, 2004

	<u>Self Insurance</u>	<u>Motor Pool</u>	<u>Total</u>
Assets			
Current Assets:			
Cash	\$ 654,640	\$ 311,986	\$ 966,626
Investments	531,640	-	531,640
Receivables	-	1,605	1,605
Due from other funds	-	56,501	56,501
Prepaid expenses	-	8,577	8,577
	<u> </u>	<u> </u>	<u> </u>
Total Current Assets	\$ 1,186,280	\$ 378,669	\$ 1,564,949
Noncurrent Assets:			
Equipment	\$ -	\$ 2,973,619	\$ 2,973,619
Less: Accumulated depreciation	<u> </u>	<u>(2,302,041)</u>	<u>(2,302,041)</u>
Total Noncurrent Assets	\$ -	\$ 671,578	\$ 671,578
TOTAL ASSETS	<u>\$ 1,186,280</u>	<u>\$ 1,050,247</u>	<u>\$ 2,236,527</u>
Liabilities			
Current Liabilities:			
Due to employees	\$ 5,111	\$ -	\$ 5,111
Due to other funds	<u>12,434</u>	<u>47,704</u>	<u>60,138</u>
Total Liabilities	<u>\$ 17,545</u>	<u>\$ 47,704</u>	<u>\$ 65,249</u>
Net Assets			
Invested in capital assets, net of related debt	\$ -	\$ 671,578	\$ 671,578
Unrestricted	<u>1,168,735</u>	<u>330,965</u>	<u>1,499,700</u>
TOTAL NET ASSETS	<u>\$ 1,168,735</u>	<u>\$ 1,002,543</u>	<u>\$ 2,171,278</u>

CITY OF ST. JOSEPH
INTERNAL SERVICE FUNDS
Combining Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended June 30, 2004

	<u>Self Insurance</u>	<u>Motor Pool</u>	<u>Total</u>
Operating Revenues:			
Rents	\$ -	\$ 660,459	\$ 660,459
Miscellaneous	<u>2,693</u>	<u>18,448</u>	<u>21,141</u>
Total Operating Revenues	<u>\$ 2,693</u>	<u>\$ 678,907</u>	<u>\$ 681,600</u>
Operating Expenses:			
Salaries and wages	\$ -	\$ 71,936	\$ 71,936
Employment related costs	91,766	21,127	112,893
Professional fees	4,914	11,238	16,152
Depreciation	-	178,447	178,447
Supplies	-	172,782	172,782
Repairs and maintenance	-	58,893	58,893
Insurance	101,799	75,585	177,384
Miscellaneous	<u>9,266</u>	<u>7,249</u>	<u>16,515</u>
Total Operating Expenses	<u>\$ 207,745</u>	<u>\$ 597,257</u>	<u>\$ 805,002</u>
Operating Income (Loss)	<u>\$ (205,052)</u>	<u>\$ 81,650</u>	<u>\$ (123,402)</u>
Nonoperating Revenues:			
Interest income	\$ 27,144	\$ 613	\$ 27,757
Gain on disposition of assets	<u>-</u>	<u>4,271</u>	<u>4,271</u>
Total Nonoperating Revenues	<u>\$ 27,144</u>	<u>\$ 4,884</u>	<u>\$ 32,028</u>
Income (Loss) Before Operating Transfers	<u>\$ (177,908)</u>	<u>\$ 86,534</u>	<u>\$ (91,374)</u>
Other Financing Sources (Uses):			
Operating transfers in	<u>\$ -</u>	<u>\$ 13,000</u>	<u>\$ 13,000</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 13,000</u>	<u>\$ 13,000</u>
Change in Net Assets	<u>\$ (177,908)</u>	<u>\$ 99,534</u>	<u>\$ (78,374)</u>
Total Net Assets - Beginning of Year	<u>1,346,643</u>	<u>903,009</u>	<u>2,249,652</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 1,168,735</u>	<u>\$ 1,002,543</u>	<u>\$ 2,171,278</u>

**CITY OF ST. JOSEPH
INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2004**

	<u>Self Insurance</u>	<u>Motor Pool</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash receipts for interfund services provided	\$ -	\$ 644,247	\$ 644,247
Cash receipts from customers	2,693	21,114	23,807
Other payments	(203,422)	(256,685)	(460,107)
Payments to employees	-	(71,936)	(71,936)
Payments to suppliers	-	(172,782)	(172,782)
	<u>-</u>	<u>(172,782)</u>	<u>(172,782)</u>
Net cash provided (used) by operating activities	\$ (200,729)	\$ 163,958	\$ (36,771)
Cash Flows From Noncapital Financing Activities:			
Transfers from other funds	\$ -	\$ 13,000	\$ 13,000
Transfer to other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	\$ -	\$ 13,000	\$ 13,000
Cash Flows From Capital and Related Financing Activities:			
Purchase of capital assets	\$ -	\$ (147,873)	\$ (147,873)
	<u>-</u>	<u>(147,873)</u>	<u>(147,873)</u>
Net cash provided (used) by capital and related financing activities	\$ -	\$ (147,873)	\$ (147,873)
Cash Flows From Investing Activities:			
Purchase of securities	\$ (21,305)	\$ -	\$ (21,305)
Interest and dividends received	27,144	613	27,757
	<u>27,144</u>	<u>613</u>	<u>27,757</u>
Net cash provided (used) by investing activities	\$ 5,839	\$ 613	\$ 6,452
Net increase (decrease) in cash and cash equivalents	\$ (194,890)	\$ 29,698	\$ (165,192)
Balances - Beginning of Year	849,530	282,290	1,131,820
	<u>849,530</u>	<u>282,290</u>	<u>1,131,820</u>
BALANCES - END OF YEAR	\$ 654,640	\$ 311,988	\$ 966,628
	<u>654,640</u>	<u>311,988</u>	<u>966,628</u>

CITY OF ST. JOSEPH
INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows - Continued
For the Year Ended June 30, 2004

	<u>Self Insurance</u>	<u>Motor Pool</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (205,051)	\$ 81,650	\$ (123,401)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	\$ -	\$ 178,447	\$ 178,447
Gain on disposition of assets	-	4,271	4,271
(Increase) decrease in:			
Accounts receivable	-	(1,605)	(1,605)
Due from other funds	-	(16,212)	(16,212)
Increase (decrease) in:			
Due to other funds	12,434	(82,593)	(70,159)
Due to employees	(8,112)	-	(8,112)
Total Adjustments	\$ 4,322	\$ 82,308	\$ 86,630
Net cash provided (used) by operating activities	\$ (200,729)	\$ 163,958	\$ (36,771)

**CITY OF ST. JOSEPH
PENSION TRUST FUNDS
Combining Statement of Net Assets
For the Year Ended June 30, 2004**

	Employee Retirement Trust	Flex Spending Trust	Total
Assets			
Cash and cash equivalents	\$ 257,403	\$ 4,969	\$ 262,372
Receivables			
Interest receivable	\$ 174,268	\$ -	\$ 174,268
Due from employer	7,942	-	7,942
Total Receivables	\$ 182,210	\$ -	\$ 182,210
Investments, at fair value			
Stock	\$ 25,739,494	\$ -	\$ 25,739,494
Bonds	4,741,637	-	4,741,637
Governmental obligations	12,881,553	-	12,881,553
Other	1,993,320	-	1,993,320
Total Investments	\$ 45,356,004	\$ -	\$ 45,356,004
Other Current Assets:			
Due from other funds	\$ 24,897	\$ -	\$ 24,897
Prepaid expense	3,433	-	3,433
Total Other Current Assets	\$ 28,330	\$ -	\$ 28,330
Total Assets	\$ 45,823,947	\$ 4,969	\$ 45,828,916
Liabilities			
Due to employees	\$ -	\$ 4,969	\$ 4,969
Net Assets			
Held in trust for pension benefits and other purposes	\$ 45,823,947	\$ -	\$ 45,823,947

**CITY OF ST. JOSEPH
PENSION TRUST FUNDS
Combining Statement of Changes in Net Assets
For the Year Ended June 30, 2004**

	Employee Retirement Trust	Flex Spending Trust	Total
Additions:			
Contributions:			
Plan members	\$ 262,615	\$ 19,431	\$ 282,046
Total Contributions	\$ 262,615	\$ 19,431	\$ 282,046
Investment Earnings:			
Net increase, FMV investments	\$ 3,069,919	\$ -	\$ 3,069,919
Interest	1,106,061	-	1,106,061
Dividends	288,727	-	288,727
Total Investment Earnings	\$ 4,464,707	\$ -	\$ 4,464,707
Less: investment expense	(62,323)	-	(62,323)
Net Investment Earnings	\$ 4,402,384	\$ -	\$ 4,402,384
Total Additions	\$ 4,664,999	\$ 19,431	\$ 4,684,430
Deductions:			
Benefits	\$ 1,676,763	\$ 19,431	\$ 1,696,194
Refund of contributions	6,904	-	6,904
Administrative expense	21,679	-	21,679
Total Deductions	\$ 1,705,346	\$ 19,431	\$ 1,724,777
Income (Loss) Before Operating Transfers	\$ 2,959,653	\$ -	\$ 2,959,653
Other Financing Sources (Uses):			
Operating transfers out	\$ -	\$ (100)	\$ (100)
Total Other Financing Sources (Uses)	\$ -	\$ (100)	\$ (100)
Change in Net Assets	\$ 2,959,653	\$ (100)	\$ 2,959,553
Net Assets - Beginning of Year	42,864,294	100	42,864,394
NET ASSETS - END OF YEAR	\$ 45,823,947	\$ -	\$ 45,823,947

CITY OF ST. JOSEPH
AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2004

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
Assets				
Cash - Treasurer's Tax Fund	\$ 1,041	\$ 12,886,954	\$ (12,887,007)	\$ 988
Cash - Imprest Payroll Fund	4,540	7,152,372	(7,156,912)	-
Receivables - Imprest Payroll Fund	-	880	-	880
TOTAL ASSETS	<u>\$ 5,581</u>	<u>\$ 20,040,206</u>	<u>\$ (20,043,919)</u>	<u>\$ 1,868</u>
Liabilities				
Bank overdraft - Imprest Payroll Fund	\$ -	\$ 503	\$ -	\$ 503
Due to other funds - Treasurer's Tax Fund	1,041	988	(1,041)	988
Due to other funds - Imprest Payroll Fund	4,540	377	(4,540)	377
TOTAL LIABILITIES	<u>\$ 5,581</u>	<u>\$ 1,868</u>	<u>\$ (5,581)</u>	<u>\$ 1,868</u>

**CITY OF ST. JOSEPH
PERMANENT FUNDS
Combining Balance Sheet
June 30, 2004**

	Cemetery Perpetual Care	Library Endowment	Total
Assets			
Cash	\$ 285,598	\$ 1,922	\$ 287,520
Investments	-	520,622	520,622
Due from other funds	-	194,780	194,780
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 285,598</u>	<u>\$ 717,324</u>	<u>\$ 1,002,922</u>
Fund Balances			
Reserved for restricted purposes	\$ 285,598	\$ 237,112	\$ 522,710
Reserved for endowment	-	480,212	480,212
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>\$ 285,598</u>	<u>\$ 717,324</u>	<u>\$ 1,002,922</u>

**CITY OF ST. JOSEPH
PERMANENT FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2004**

	Cemetery Perpetual Care	Library Endowment	Total
Revenues:			
Contributions	\$ -	\$ 100	\$ 100
Interest	<u>617</u>	<u>22,396</u>	<u>23,013</u>
Total Revenues	<u>\$ 617</u>	<u>\$ 22,496</u>	<u>\$ 23,113</u>
Other Financing Sources (Uses):			
Operating transfers out	<u>\$ -</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>
Net Changes in Fund Balances	\$ 617	\$ 2,496	\$ 3,113
Fund Balances - Beginning of Year	<u>284,981</u>	<u>714,828</u>	<u>\$ 999,809</u>
FUND BALANCES - END OF YEAR	<u>\$ 285,598</u>	<u>\$ 717,324</u>	<u>\$ 1,002,922</u>

CITY OF ST. JOSEPH
Schedule of 2003 Installment Note
Fifth Third Bank
June 30, 2004

<u>Year Ended June 30,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest</u>		<u>Principal</u>		<u>Balance</u>
			<u>November 1</u>	<u>May 1</u>	<u>November 1</u>	<u>May 1</u>	
2005	2.50%	\$ 182,171	\$ 12,614	\$ 11,634	\$ 78,471	\$ 79,452	\$ 851,241
2006	2.50%	182,171	10,640	9,635	80,445	81,451	689,345
2007	2.50%	182,171	8,617	7,586	82,469	83,499	523,377
2008	2.50%	182,171	6,542	5,486	84,543	85,600	353,234
2009	2.50%	182,171	4,415	3,332	86,670	87,754	178,810
2010	2.50%	182,170	2,235	1,125	88,850	89,960	-
		<u>\$ 1,093,025</u>	<u>\$ 45,063</u>	<u>\$ 38,798</u>	<u>\$ 501,448</u>	<u>\$ 507,716</u>	

Purpose:

To finance construction of City Hall.

Terms:

Principal and interest due semi-annually May 1 and November 1.

CITY OF ST. JOSEPH
Schedule of 2003 Installment Note
Bank One
June 30, 2004

<u>Year Ended June 30,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest</u>		<u>Principal</u>		<u>Balance</u>
			<u>December 4</u>	<u>June 4</u>	<u>December 4</u>	<u>June 4</u>	
2005	2.38%	\$ 191,045	\$ 4,415	\$ 3,331	\$ 91,107	\$ 92,192	\$ 187,688
2006	2.38%	<u>191,044</u>	<u>2,233</u>	<u>1,123</u>	<u>93,289</u>	<u>94,399</u>	-
		<u>\$ 382,089</u>	<u>\$ 6,648</u>	<u>\$ 4,454</u>	<u>\$ 184,396</u>	<u>\$ 186,591</u>	

Purpose:

To finance the addition to Howard Ice Arena.

Terms:

Principal and interest due semi-annually June 4 and December 4.

CITY OF ST. JOSEPH
Schedule of Capital Improvement Note
Berrien County Revolving Loan Fund
June 30, 2004

<u>Year Ended June 30,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest</u>	<u>Principal January 1</u>	<u>Balance</u>
2005	-	\$ -	\$ -	\$ -	\$ 250,000
2006	-	-	-	-	250,000
2007	-	-	-	-	250,000
2008	-	-	-	-	250,000
2009	-	-	-	-	250,000
2010	-	-	-	-	250,000
2011	-	25,000	-	25,000	225,000
2012	-	25,000	-	25,000	200,000
2013	-	25,000	-	25,000	175,000
2014	-	25,000	-	25,000	150,000
2015	-	25,000	-	25,000	125,000
2016	-	25,000	-	25,000	100,000
2017	-	25,000	-	25,000	75,000
2018	-	25,000	-	25,000	50,000
2019	-	25,000	-	25,000	25,000
2020	-	25,000	-	25,000	-
		<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>	

Purpose:

To finance construction of Momany/Renaissance Drive.

Terms:

Principal due annually January 1.

CITY OF ST. JOSEPH
Schedule of 2002 Improvement and Refunding Bonds
June 30, 2004

<u>Year Ended June 30,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest</u>		<u>Principal May 1</u>	<u>Balance</u>
			<u>November 1</u>	<u>May 1</u>		
2005	2.700%	\$ 254,791	\$ 99,895	\$ 99,896	\$ 55,000	\$ 4,130,000
2006	4.000%	258,306	99,153	99,153	60,000	4,070,000
2007	4.000%	270,907	97,954	97,953	75,000	3,995,000
2008	4.000%	267,906	96,453	96,453	75,000	3,920,000
2009	4.125%	274,906	94,953	94,953	85,000	3,835,000
2010	4.125%	281,400	93,200	93,200	95,000	3,740,000
2011	4.375%	282,481	91,241	91,240	100,000	3,640,000
2012	4.375%	293,106	89,053	89,053	115,000	3,525,000
2013	4.500%	298,075	86,537	86,538	125,000	3,400,000
2014	4.500%	302,450	83,725	83,725	135,000	3,265,000
2015	4.750%	311,375	80,688	80,687	150,000	3,115,000
2016	4.875%	314,250	77,125	77,125	160,000	2,955,000
2017	5.000%	321,450	73,225	73,225	175,000	2,780,000
2018	5.000%	327,700	68,850	68,850	190,000	2,590,000
2019	4.750%	333,200	64,100	64,100	205,000	2,385,000
2020	4.750%	343,463	59,231	59,232	225,000	2,160,000
2021	4.750%	352,775	53,888	53,887	245,000	1,915,000
2022	4.800%	361,138	48,069	48,069	265,000	1,650,000
2023	4.950%	368,418	41,709	41,709	285,000	1,365,000
2024	5.000%	374,310	34,655	34,655	305,000	1,060,000
2025	5.100%	384,060	27,030	27,030	330,000	730,000
2026	5.100%	392,230	18,615	18,615	355,000	375,000
2027	5.100%	<u>394,125</u>	<u>9,562</u>	<u>9,563</u>	<u>375,000</u>	-
		<u>\$ 7,362,822</u>	<u>\$ 1,588,911</u>	<u>\$ 1,588,911</u>	<u>\$ 4,185,000</u>	

Purpose:

To finance the City's combined sewer overflow project.

Terms:

Principal is due annually. Interest is due semi-annually May 1 and November 1.

CITY OF ST. JOSEPH
Schedule of 2003 Capital Improvement Bonds
June 30, 2004

<u>Year Ended June 30,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest</u>		<u>Principal October 1</u>	<u>Balance</u>
			<u>October 1</u>	<u>April 1</u>		
2005	2.50%	\$ 119,528	\$ 20,264	\$ 19,264	\$ 80,000	\$ 1,766,525
2006	2.50%	109,528	19,264	18,264	72,000	1,694,525
2007	2.50%	111,965	18,264	17,201	76,500	1,618,025
2008	2.50%	109,840	17,201	16,139	76,500	1,541,525
2009	2.50%	112,153	16,139	15,014	81,000	1,460,525
2010	2.50%	109,903	15,014	13,889	81,000	1,379,525
2011	2.50%	112,090	13,889	12,701	85,500	1,294,025
2012	2.50%	109,715	12,701	11,514	85,500	1,208,525
2013	2.50%	107,340	11,514	10,326	85,500	1,123,025
2014	2.50%	109,402	10,326	9,076	90,000	1,033,025
2015	2.50%	106,902	9,076	7,826	90,000	943,025
2016	2.50%	108,840	7,826	6,514	94,500	848,525
2017	2.50%	106,215	6,514	5,201	94,500	754,025
2018	2.50%	108,027	5,201	3,826	99,000	655,025
2019	2.50%	109,715	3,826	2,389	103,500	551,525
2020	2.50%	106,840	2,389	951	103,500	448,025
2021	2.50%	108,951	951	-	108,000	340,025
2022	2.50%	108,000	-	-	108,000	232,025
2023	2.50%	112,500	-	-	112,500	119,525
2024	2.50%	119,525	-	-	119,525	-
		<u>\$ 2,206,979</u>	<u>\$ 190,359</u>	<u>\$ 170,095</u>	<u>\$ 1,846,525</u>	

Purpose:

To finance the City's combined sewer overflow project.

Terms:

Principal is due annually. Interest is due semi-annually April 1 and October 1.

CITY OF ST. JOSEPH
Schedule of 2004 Installment Note
Bank One
June 30, 2004

<u>Year Ended June 30,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest</u>		<u>Principal</u>		<u>Balance</u>
			<u>September 5</u>	<u>March 5</u>	<u>September 5</u>	<u>March 5</u>	
2005	2.679%	\$ 91,387	\$ 5,157	\$ 4,614	\$ 40,537	\$ 41,079	\$ 303,383
2006	2.679%	91,387	4,064	3,506	41,630	42,187	219,566
2007	2.679%	91,387	2,941	2,369	42,752	43,325	133,489
2008	2.679%	91,387	1,788	1,200	43,905	44,494	45,090
2009	2.679%	45,694	604	-	45,090	-	-
		<u>\$ 411,242</u>	<u>\$ 14,554</u>	<u>\$ 11,689</u>	<u>\$ 213,914</u>	<u>\$ 171,085</u>	

Purpose:

To finance the purchase of a fire truck.

Terms:

Principal and interest due semi-annually March 5 and September 5.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

August 4, 2004

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Commission
City of St. Joseph, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Joseph as of and for the year ending June 30, 2004, which collectively comprise the City of St. Joseph's basic financial statements and have issued our report thereon dated August 4, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of St. Joseph's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under **Government Auditing Standards**.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of St. Joseph's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion of the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Commission, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gerbel & Company, P.C.

Right. On time.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

August 4, 2004

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Commission
City of St. Joseph, Michigan

Compliance

We have audited the compliance of the City of St. Joseph with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) **Circular A-133 Compliance Supplement** that are applicable to each of its major federal programs for the year ended June 30, 2004. The City of St. Joseph's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of St. Joseph's management. Our responsibility is to express an opinion on the City of St. Joseph's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and OMB Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of St. Joseph's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of St. Joseph's compliance with those requirements.

In our opinion, the City of St. Joseph complied in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the City of St. Joseph is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of St. Joseph's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Right. On time.

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 - Continued

Internal Control Over Compliance - Continued

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the City Commission, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Beitel & Company, P.C.

CITY OF ST. JOSEPH
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

Federal Grantor Pass Through Grantor Program Title - Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2003
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed Through Michigan Department of Environmental Quality Capitalization Grants for Clean Water State Revolving Funds	66.458	\$ 2,165,000	\$ -
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		\$ 2,165,000	\$ -
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 2,165,000	\$ -

Notes to Schedule of Expenditures of Federal Awards

- Note 1** The Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting. Type A programs were identified using a \$300,000 threshold.
- Note 2** Management has reported that expenditures in this Schedule of Expenditures of Federal Awards are equal to those amounts reported in the annual or final cost reports.

<u>(Memo Only)</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Current</u> <u>Year</u> <u>Expenditures</u>	<u>Current Year</u> <u>Cash</u> <u>Receipts</u>	<u>Accrued</u> <u>(Deferred)</u> <u>Revenue</u> <u>June 30, 2004</u>
\$ -	\$ 545,308	\$ 545,308	\$ -
\$ -	\$ 545,308	\$ 545,308	\$ -
\$ -	\$ 545,308	\$ 545,308	\$ -

CITY OF ST. JOSEPH
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Current Year

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the City of St. Joseph.
2. There were no reportable conditions in internal control as a result of the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City of St. Joseph, which would be required to be reported in accordance with **Government Auditing Standards**, were disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal award program.
5. The auditor's report in compliance for the major federal award program for the City of St. Joseph expresses an unqualified opinion on the major federal program.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The program tested as a major program was Capitalization Grants for Clean Water State Revolving Funds CFDA No. 66.458.
8. The threshold for distinguishing Type A and Type B programs was \$300,000.
9. The City of St. Joseph did not qualify as a low-risk auditee.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

August 4, 2004

INDEPENDENT AUDITOR'S REPORT ON CERTAIN AUDIT-RELATED MATTERS

To the City Commission
City of St. Joseph, Michigan

We have audited the financial statements of the City of St. Joseph for the year ended June 30, 2004, and have issued our report thereon dated August 4, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Generally Accepted Auditing Standards and Government Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of City of St. Joseph. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of St. Joseph's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the City of St. Joseph are described in Note 1 to the basic financial statements. During the year, the City adopted new accounting standards as described in Note 14 to the financial statements. We noted no transactions entered into by the City of St. Joseph during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no estimates that we consider to be particularly sensitive.

Right. On time.

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Significant Audit Adjustments

For the purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us not recorded by the City of St. Joseph that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have significant effect on the City of St. Joseph's financial reporting process.

Disagreements with Management

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Difficulties Encountered in Performing the Audit

We are pleased to report that we experienced no unusual difficulties in performing the audit. The finance director, her staff, and other City employees were very cooperative and handled all of our requests in a timely and efficient manner.

This information is intended solely for the use of the Commissioners and management of the City of St. Joseph and should not be used for any other purpose.

Very truly yours,



GERBEL & COMPANY, P.C.
Certified Public Accountants